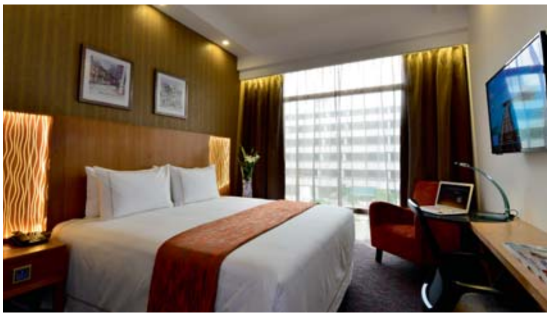
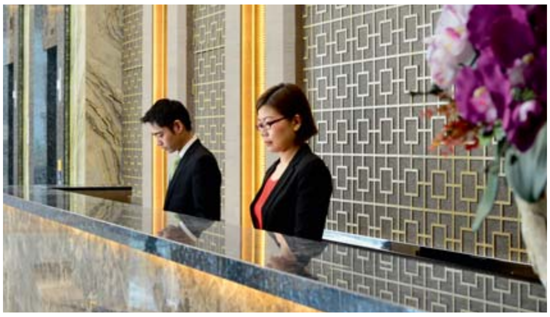
Hotel Grand Central

ANNUAL REPORT 2015





GRAND HOTELS INTERNATIONAL
ASIA • PACIFIC

HOTEL GRAND CENTRAL
Singapore, China

Hotel Grand Continental
Malaysia

HOTEL GRAND CHANCELLOR
Australia, New Zealand

HOTEL CHANCELLOR @Orchard
Singapore

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www.ghihotels.com

CONTENTS

Chairman's Statement	2
Corporate Data	4
Directors' and Senior Management Profile	5
Corporate Governance Report	7
Corporate Structure	18
Financial Statistics & Charts	19
Directors' Report	20
Independent Auditors' Report to the Members of Hotel Grand Central Limited	23
Balance Sheets	24
Consolidated Income Statement	26
Statement of Changes in Equity	28
Consolidated Cash Flow Statement	31
Notes to the Financial Statements	33
Hotels Owned by the Group	96
Investment Properties Owned by the Group	96
Distribution of Shareholdings	97
Statistics of Shareholdings	98
Notice of Annual General Meeting	99
Proxy Form	103

CHAIRMAN'S STATEMENT

INTRODUCTION

On behalf of the Board of Directors of Hotel Grand Central Limited, I would like to present the Annual Report and Financial Statements of the Group for the year ended 31 December 2015 and the Balance Sheet of the Company as at 31 December 2015.

OPERATIONS AND FINANCIAL REVIEW

GROUP REVENUE

The Group's revenue for the year ended 31 December 2015 decreased 11% to $135.8 million (2014 – $153.0 million). The decrease was largely due to two key factors. Firstly, the Group disposed of two hotels, the Little India, Singapore and the Auckland Airport hotels. The disposals were completed in January and March 2015 respectively. Secondly, the adverse fluctuations in exchange rate meant that the Australia and New Zealand revenues were translated at lower average exchange rates during the year, hence resulting in lower revenue in Singapore Dollars terms.

The decrease in the Group's revenue was partly offset by maiden contributions from Hotel Chancellor @ Orchard and Hotel Grand Central in Singapore, which soft-opened in May and October 2015 respectively.

Decrease in Australia Revenue
All of the Australia hotels performed better than 2014 except for the Brisbane and Adelaide hotels. In spite of an overall increase in revenue from the Australian segment in local currency, the lower Australian exchange rate resulted in a decrease in Australia revenue in Singapore dollars.

Both Brisbane and Adelaide hotels' drop in revenue were due to the slowdown in the Queensland and South Australia economies which were both affected by the weak commodities market. Additionally, the Brisbane hotel was affected by construction works of a new conference centre adjoining the hotel which inconvenienced hotel guests, who stayed away during the heavy construction works period.

Decrease in New Zealand Revenue
The decrease in the New Zealand turnover was mainly due to a lower contribution resulting from the sale of the Auckland Airport hotel and the lower New Zealand dollar exchange rate.

Revenue of the James Cook Hotel Grand Chancellor, Wellington was affected by the hotel's ongoing earthquake strengthening works. These works were largely concluded by the end of 2015.

Decrease in Singapore Revenue
The decrease in the Singapore turnover was largely due to the sale of the Little India hotel during the year. This was however, partly offset by maiden contributions from Hotel Chancellor @ Orchard and Hotel Grand Central which soft-opened in May and October 2015 respectively.

Decrease in China Revenue
The decrease in the China revenue was due to the weak economic environment which affected room rates and room occupancies at the Sihui hotel during the year.

Decrease in Malaysia Revenue
The Malaysia revenue decreased during the year due to the weak economy and lower Ringgit exchange rates.

GROUP EARNINGS

Contrary to the decrease in revenue, net earnings of the Group recorded a sterling performance with a 219% increase over last year to $85.5 million (2014 – $26.8 million). The factors contributing to the increase in net earnings are as follows: -

a) Gain of $70.6 million from the disposal of Hotel Grand Chancellor Pte Ltd which owned the Little India hotel
b) Gain of $5.4 million from the disposal of the Auckland Airport hotel
c) Fair value gain of $7.7 million on investment properties

The Group's earnings was however, tempered by a larger unrealized exchange loss and value impairments of the Adelaide hotel at Hindley and investment in an associate company.

CHAIRMAN'S STATEMENT

Overall, the Earnings per Share of the Group increased to 13.4 cents in 2015 from 4.4 cents in 2014 as a result of the net significant increase in earnings, notwithstanding the larger share capital base.

FINANCIAL POSITION

The Group's financial position vastly improved as at year-end 2015.

Its total assets at year-end amounted to $1.6 billion (2014 - $1.2 billion) and net gearing ratio was effectively nil as at year end (2014 – 8%).

The Group's net asset per share as at 31 December 2015 was $1.93 compared with $1.39 in 2014.

DIVIDENDS

Your Board recommends for your approval, a final one-tier ordinary dividend of 5.0 cents (2014: final one-tier ordinary dividend of 5.0 cents and final one-tier special dividend of 5.0 cents) per ordinary share, in respect of the financial year ended 31 December 2015.

OTHER MATTERS DURING THE YEAR

a) Sale of Hotel Grand Chancellor Pte Ltd
The disposal of 100% of the issued and paid-up share capital of Hotel Grand Chancellor Pte Ltd for $248 million was completed on 15 January 2015. Hotel Grand Chancellor Pte Ltd ceased to be a subsidiary of the Company with effect from 15 January 2015.

b) Sale of Hotel Grand Chancellor Auckland Airport
The disposal of Hotel Grand Chancellor Auckland Airport by Hotel Grand Chancellor (Auckland) Ltd, a wholly owned subsidiary of the Company for NZ$23.3 million ($22.3 million) was completed on 3 March 2015.

C) Hotels Redevelopment at Orchard Road
The construction of the two new 10-storey hotels of 488 and 264 rooms at the adjoining leasehold land of 2,805 sqm and freehold land of 1,239 sqm were completed during the year.

The leasehold and freehold hotels which operates under the brand names of Hotel Chancellor @ Orchard and Hotel Grand Central soft-opened in May 2015 and October 2015 respectively.

PROSPECTS

The hotel markets where the Group operates in are expected to be affected by the uncertainty in the regional and global economies.

The two new hotels in Singapore will be contributing fully in 2016. However, their performances will likely be dampened by one-off startup costs. Additionally, growth in room rates and occupancy rates will be limited by the new supply of hotel rooms in 2016 and the slowdown in the regional economies.

CONCLUSION

In conclusion, on behalf of the Board of Directors, I would like to thank our shareholders, valued customers and all business associates for their continuing support. Last but not least, I would also like to express my sincere thanks to our management and staff for their dedication and hard work throughout the year.

Tan Eng Teong
Chairman
8 April 2016

CORPORATE DATA

BOARD OF DIRECTORS

Tan Eng Teong (Executive Chairman/Managing Director)
Tan Teck Lin (Executive Director)
Tan Hwa Lian (Executive Director)
Tan Eng How (Non independent Non-Executive Director)
Fang Swee Peng (Independent Non-Executive Director)
Chng Beng Siong (Independent Non-Executive Director)
Tan Kok Aun (Lead Independent Non-Executive Director)

AUDIT COMMITTEE

Tan Kok Aun (Chairman)
Fang Swee Peng
Chng Beng Siong
Tan Eng How

NOMINATING COMMITTEE

Fang Swee Peng (Chairman)
Chng Beng Siong
Tan Teck Lin
Tan Kok Aun

REMUNERATION COMMITTEE

Chng Beng Siong (Chairman)
Fang Swee Peng
Tan Kok Aun

COMPANY SECRETARY

Eliza Lim Bee Lian, ACIS

REGISTERED OFFICE

22 Cavenagh Road
Singapore 229617
Tel: 6737 9944
Fax: 6737 3175
Email: chairman@grandcentral.com.sg
Company No: 196800243H

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Ken Ong (since financial year ended 31 December 2015)

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

BOARD OF DIRECTORS

Tan Eng Teong is the Chairman and Managing Director of the Company. He has been with the Group since the inception of the Company. Mr. Tan has, over the years, accumulated vast experience in the hotel and travel, property development and investment and manufacturing industries. He is currently the Executive Chairman of Grand Central Enterprises Bhd, a company listed on the Malaysia Securities Exchange Berhad as well as various private companies in Australia, New Zealand and Malaysia.

Tan Teck Lin is an Executive Director of the Company. He has been with the Group since the inception of the Company. Mr. Tan is involved in the day to day operations of the Australia and New Zealand operations and the property development business in Malaysia. He is currently the Deputy Executive Chairman and Managing Director of Grand Central Enterprises Bhd and sits on the Board of various companies relating to property development, travel and hospitality and manufacturing industries.

Tan Eng How has been with the Group since the inception of the Company. He is an Executive Director of Grand Central Enterprises Bhd and is involved in the day to day operations of the Malaysian hotels. Mr. Tan is a member of the Hotel Catering and Institutional Management Association, United Kingdom and obtained a post graduate diploma in hotel and catering administration from the Council for National Academic Awards, United Kingdom. He is a member of the Audit Committee of the Company.

Fang Swee Peng is a Non-Executive Director of the Company. He was appointed as a director of the Company on 28 April 2000. Mr. Fang is a professional electrical engineer and a fellow of the Singapore Institution of Engineers. He is the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee of the Company.

Chng Beng Siong is a Non-Executive Director of the Company. He joined the Board on 29 June 2000. He has business interests in the building, property investment and hospitality industries. He is the Chairman of the Remuneration Committee and is a member of the Audit Committee and Nominating Committee of the Company.

Tan Kok Aun is a Non-Executive Director of the Company. He was appointed as a director of the Company on 10 November 2011. Mr Tan has more than 25 years of experience as a corporate secretary and taxation practitioner in private practice in Malaysia. He is a member of the Malaysian Association of Company Secretaries and holds a MBA from the Southern Cross University, Australia. Mr Tan is the Chairman of the Audit Committee and is a member of the Nominating Committee and Remuneration Committee of the Company.

Tan Hwa Lian is an Executive Director of the Company. She joined the Board on 26 August 2003. After graduating from the National University of Singapore with a Bachelor in Business Administration (Hons), she joined the banking & finance sector. Working initially in corporate banking in a local bank, she later joined a large financial institution where she was responsible for real estate lending and long term treasury investments. In total, she gathered 15 years of experience before leaving the sector in 2000.

Tan Eng Teong, Tan Teck Lin and Tan Eng How are brothers and are each deemed to have an interest in Tan Chee Hoe & Sons Holdings Pte Ltd, the substantial shareholder of the Company. Tan Eng Teong is the father of Tan Hwa Lian.

DIRECTORS' AND SENIOR MANAGEMENT PROFILE

MANAGEMENT

Tan Hwa Lam, Hellen is the Financial Controller of the Group. She has more than 30 years of experience in finance and accounting in the hotel industry. She has a MBA from the University of Leeds, United Kingdom. She also holds a Bachelor's degree in Management Studies from the University of Hull, United Kingdom, a diploma in Management Accounting from the then National Productivity Board and a London Chamber Commerce and Industry Higher Diploma in Accounting.

Tan Hwa Imm, Michelle is the Financial Controller of the Group's operations in Malaysia. She worked in an international accounting firm in London for 5 years and later as a Financial Controller of a commercial company. She graduated from the London School of Economics with a Bachelor of Science Degree in Management Sciences (Second Upper Honours) and is also an associate member of the Institute of Chartered Accountants in England and Wales. Ms. Tan is an Executive Director of Grand Central Enterprises Bhd.

Poh Teik Heng, Anthony is the Group Accountant (Finance & Investments) of the Group. He has more than 25 years of experience in finance, accounting and auditing including more than 20 years in the hotel and property industries. He has a MBA from the University of Hull, United Kingdom and is a member of the Association of Chartered Certified Accountants. His responsibilities include the overseeing of the Group's accounting and finance functions primarily in Australia and New Zealand and other corporate matters of the Group.

Frank Delli Cicchi is the Group General Manager of Australia and New Zealand. He graduated from the University of New South Wales with a Bachelor of Commerce in Accounting. Mr. Delli Cicchi has more than 35 years of experience in the hotel and property industry in Australia, New Zealand and Asia. His current responsibilities include the overseeing of the Group's operations in Australia and New Zealand.

Tan Eng Teong is the father of Tan Hwa Lam, Hellen. Tan Teck Lin is the father of Tan Hwa Imm, Michelle.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Hotel Grand Central Limited (the "Company") is committed to ensuring that the high standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

The Board is pleased to report to shareholders on the manner in which it has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Singapore Code of Corporate Governance 2012 ("CCG 2012"). The Company has reviewed its best practices and ensured continued transparency and accountability in line with the principles of the CCG 2012.

BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS
PRINCIPLE 1

Principal duties of the Board
Apart from its fiduciary duties and statutory responsibilities, the Board has the overall responsibility for corporate governance, business strategy, setting the direction and objectives for the Group, and for evaluating and approving important matters such as major investments and divestment proposals, capital expenditure, approving annual budgets and funding requirements. It regularly reviews business plans, Board policies and the financial performances of the Company and the Group and approving the adequacy of internal controls, risk management, financial reporting and compliance. It is also charged with the responsibility of approving the appointment of the Managing Director ("MD"), directors and succession planning process.

Independent judgement
All directors exercise due diligence and independent judgement and make decisions objectively in the best interests of the Company. In determining the independence of directors, our concept of independence adheres to the definition of the CCG 2012. Each independent director is required to make annual declaration of Director's Independence based on guidelines as set out in the CCG 2012.

In addition, consideration is given to Guideline 2.4 of the CCG 2012 which requires that the independence of any director who has served on the Board beyond nine years, from the date of first appointment, be subject to particularly rigorous review.

Delegation by the Board
Board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") have been constituted to assist the Board in the discharge of specific responsibilities. Clear written terms of reference set out the duties, authority and accountabilities of each committee as well as qualifications for committee membership, in line with the CCG 2012.

Key Features of Board Processes
The schedule of all Board and Board committee meetings and the Annual General Meeting ("AGM") for the next calendar year is planned well in advance, in consultation with the Board. The Board meets at least four times a year at regular intervals. Telephonic attendance at Board meetings is allowed under the Company's Articles of Association ("Articles"). The Board and Board committees may also make decisions by way of circulating resolutions.

Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances.

Board Orientation and Training
A formal letter of appointment is provided to every new director. The formal letter of appointment indicates the time commitment required and the role of directors (including directors' responsibilities). The new director will also receive a manual containing board and the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information. New directors will undergo a comprehensive orientation programme with presentations by senior management to introduce them to every aspect of the Company's business to familiarize them with the Company's business and governance practices. The orientation programme gives directors an understanding of the Company's businesses to enable them to assimilate into their new roles. The programme

CORPORATE GOVERNANCE REPORT

also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

The directors are provided with continuing briefings and updates in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements, so as to enable them to properly discharge their duties as board or board committee members.

Briefings and updates provided for directors in FY2015

- At every AC meeting, the external auditor, Ernst & Young LLP, briefs the AC members on developments in accounting standards.

- The Chairman and MD, and the Executive Directors update the board at each meeting on business and strategic developments.

The directors may also attend other appropriate courses, conferences and seminars, at the Company's expense. These include programmes run by the Singapore Institute of Directors. Directors can request for further explanations, briefings or information on any aspect of the Company's operations or business issues from management.

BOARD COMPOSITION AND GUIDANCE
PRINCIPLE 2

The Board currently has seven members, comprising three executive directors and four non-executive directors. As at the date of this report, the Board of Directors comprises the following members:

Mr. Tan Eng Teong	(Executive Chairman and Managing Director)
Mr. Tan Teck Lin	(Executive Director)
Ms. Tan Hwa Lian	(Executive Director)
Mr. Tan Eng How	(Non-Executive non-independent Director)
Mr. Tan Kok Aun	(Lead Independent Director)
Mr. Fang Swee Peng	(Independent Director)
Mr. Chng Beng Siong	(Independent Director)

Key Information on Directors
A brief profile of the directors is shown under 'Board of Directors' section of the Annual Report.

Board Independence
Of the current seven-member Board, three are independent.

In the course of the year, the NC assessed the independence of board members in light of Guideline 2.4 of CCG 2012 which requires that the independence of any director who has served on the board beyond nine years, from the date of first appointment, be subject to particularly rigorous review. Such review is reported under "Board Membership". The following directors would have served on the board for nine years or more by the forthcoming AGM:

a) Tan Eng Teong, Chairman and Managing Director, who was appointed on 10 July 1968;
b) Tan Teck Lin, Executive Director, who was appointed on 10 July 1968;
c) Tan Eng How, Non-Executive Non-Independent Director, who was appointed on 17 February 1978;
d) Fang Swee Peng, Independent Director, who was appointed on 28 April 2000;
e) Mr. Chng Beng Siong, Independent Director, who was appointed on 29 June 2000;
f) Ms. Tan Hwa Lian, Executive Director, who was appointed on 26 August 2003

Board composition and size
Each year, the NC reviews and examines the size and the composition of the Board and each Board committee in order to evaluate the Board's effectiveness in carrying out its duties. Taking into consideration the nature of the Group's businesses, the Board believes that its current board size and composition effectively serves the Group.

The NC also examines the core competencies of its members to ensure an appropriate balance and diversity of skill and experience. Core competencies include experience and knowledge in business, finance, accounting, and technical and management skills. The NC is satisfied that the Board collectively not only reflects a diverse wealth of experience and knowledge in business, finance, accounting, and technical and management skills, but they also possess independence in decision-making at Board level.

CORPORATE GOVERNANCE REPORT

The Board, taking into account the views of the NC, considers that its directors possess the appropriate mix of expertise, experience and necessary competencies and knowledge to lead and govern the Company effectively.

The number of board meetings held in the financial year 2015 by the Board and meetings of Board Committees including the attendance of the Members are set out below: -

	Main Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	**5**	**4**	**1**	**1**
Executive Director				
Tan Eng Teong	5	N.A.	N. A.	N.A.
Tan Teck Lin	5	N.A.	1	N.A.
Tan Hwa Lian	5	N.A.	N.A.	N.A.
Independent Director				
Fang Swee Peng	5	4	N. A.	1
Chng Beng Siong	5	4	1	1
Tan Kok Aun	5	4	1	1
Non-Executive Director				
Tan Eng How	5	4	N.A.	N.A.

Board Guidance
The Board, in particular Non-Executive Directors ("NEDs"), is kept well informed of the Company's businesses and is knowledgeable about the industry in which the Group operates in. To ensure that NEDs are well supported by accurate, complete and timely information, NEDs have unrestricted access to management. NEDs also receive periodic information papers and board briefings on latest market developments and trends, and key business initiatives. Regular meetings are held for management to brief directors on prospective deals and potential developments in the early stages, before formal board approval is sought. Board papers are provided to directors a week in advance of the meeting to afford the directors sufficient time to review the board papers prior to the meeting. If a director is unable to attend a board or board committee meeting, the director may nevertheless provide his/her comments separately to the Chairman or relevant board committee chairman.

CHAIRMAN AND MANAGING DIRECTOR
PRINCIPLE 3

Segregation of the Role of Chairman and the Managing Director ("MD")
As Chairman of the Company, Mr. Tan Eng Teong plays a pivotal role in steering the strategic direction and growth of the Group's business, sets the agenda for each Board meeting and ensures information flow between management and the Board. As the Managing Director, Mr. Tan Eng Teong oversees the day to day running of the business in Singapore, Malaysia, China, Australia and New Zealand. In carrying out his responsibilities as the Managing Director, Mr. Tan Eng Teong works closely with Mr. Tan Teck Lin, an Executive Director and Mr. Tan Eng How, a Non-Executive Director of the Company. Mr. Tan Teck Lin is involved in the day-to-day running of the business in Australia and New Zealand and the property development business in Malaysia and makes all major operational decisions with the concurrence of Mr. Tan Eng Teong. Mr. Tan Eng How is involved in the day-to-day running of the hotel business in Malaysia and makes all major operational decisions with the concurrence of Mr. Tan Teck Lin. Mr. Tan Eng Teong is kept informed of all significant operational decisions in Malaysia by Mr. Tan Teck Lin. Ms. Tan Hwa Lian is involved in the day-to-day running of the hotel business in Singapore and China.

Currently, the Company adopts a single leadership structure whereby the roles of the Chairman of the Board and the Managing Director are assumed by the same person such that the decision-making process of the Company would not be unnecessarily hindered. The Board is mindful of the desirability of separating the two functional positions. However, it believes that vulnerability of the dual roles, if any, is considerably lessened by the checks and balances energetically exercised by the board. The balance of power and authority is also provided by three committees, namely AC, NC and RC which are all chaired by the Independent Directors. The Chairman ensures that Board meetings are held when

CORPORATE GOVERNANCE REPORT

necessary and sets the meeting agenda in consultation with the executive directors. He reviews Board papers before they are presented to the Board and ensures that Board members are provided with adequate and timely information. He also assists in ensuring that the Company complies with the Code of Corporate Governance.

BOARD MEMBERSHIP
PRINCIPLE 4

Continuous Board Renewal
The Board, in conjunction with the NC, reviews the composition of the Board and Board committees annually, taking into account the performance and contribution of each individual director. Board composition is also evaluated to ensure diversity of skills and experience is maintained within the Board and Board committees. Based on the NC's assessment of independence of each individual director and his or her relevant expertise, and with the aim of ensuring compliance with the requirements of the CCG 2012, the Board reviews, and reconstitutes as appropriate, the membership of the Board committees.

As at the date of this Report, the NC comprises the following members: -

Mr Fang Swee Peng (Chairman)
Mr. Tan Teck Lin
Mr. Tan Kok Aun
Mr Chng Beng Siong

Recommendation of Directors
The NC is responsible for identifying candidates and reviewing all nominations for the appointment, re-appointment or termination of directors and Board committee members, taking into account the proper criteria for such appointments, the director's independence status, his or her participation and contributions during and outside Board meetings, the Code of Corporate Governance and other relevant factors as may be determined by the NC.

For financial year 2015, the Board, with the concurrence of the NC, has determined that all three non-executive directors are independent.

The Company's Articles of Association require one-third of its directors to retire and subject themselves to re-election by shareholders at every Annual General Meeting ("AGM"). Effectively, this results in all directors having to retire at least once in three years or even earlier. Directors appointed by the Board during the financial year, without shareholders' approval at the AGM, shall only hold office until the next AGM, and thereafter be eligible for re-election at the AGM. In addition, at the forthcoming AGM, Mr. Tan Eng Teong, Mr. Fang Swee Peng and Mr. Tan Teck Lin, the directors who are over 70 years of age and who were appointed at the last AGM, will each of them submit himself for re-appointment. Mr. Tan Kok Aun retires under Article 101. All of these directors had consented to be re-appioInted. The NC had reviewed the performance and contribution of the retiring directors and recommended their re-appointments/re-elections.

Directors' Time Commitments
The NC assesses the effectiveness of the Board as a whole and takes into account, each director's contribution and devotion of time and attention to the Company. The NC also assesses nominees identified for recommendation to the Board, on their individual credentials and their ability to devote appropriate time and attention to the Company. The NC is of the view that the effectiveness of each of the directors is best assessed by a qualitative assessment of the director's contributions as well as by taking into account each director's listed Company Board directorships, and any other relevant time commitments. While having a numerical limit on the number of directorships may be considered by some other companies to be suitable for their circumstances, at present the Company considers the assessment as described herein to be more effective for its purposes.

Continuous Review of Directors' Independence
It also rigorously reviews the independence of any director who has served on the Board beyond nine years, from the date of first appointment in light of Guideline 2.4 of CCG 2012. The NC recognises the contribution of its independent directors who over time have developed deep insight into the Group's businesses and operations. It also takes into consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board. For now, the NC believes that the Company's qualitative assessment and the existing practice, which requires each director to confirm annually to the NC, his/her ability to devote sufficient time and attention to the Company's affairs, having regard to his/her other commitments, are effective. As such, the Board has not set a fixed term of office for each of its independent directors so as to be able to retain the services of the directors as necessary.

CORPORATE GOVERNANCE REPORT

The NC had concurred that both Mr. Fang Swee Peng and Mr. Chng Beng Siong who have served on the Company's Board for more than nine years from the date of their first appointment, continued to provide impartial and autonomous judgment in the discharge of their responsibilities as directors of the Company. They have continued to express their individual viewpoints and objectively debated issues presented by management. The NC is satisfied that both Mr. Fang Swee Peng and Mr. Chng Beng Siong had remained independent in their judgment and continued to discharge their duties objectively.

The Board is satisfied that all directors have discharged their duties adequately for FY2015. The Board also expects that the directors will continue to discharge their duties adequately in FY2016.

BOARD PERFORMANCE
PRINCIPLE 5

Board Evaluation Policy
The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole.

Board Evaluation Process
The NC reviews and evaluates the performance of the Board as a whole every year, taking into considerations, attendance records at respective Board and committee meetings as well as the contributions of each individual director to the Board's effectiveness. It will ascertain key areas for improvement and requisite follow-up actions.

In evaluating the Board performance, the NC implements a collective assessment process comprising a qualitative assessment of the functioning of the Board during the year under review. The qualitative assessment utilizes a confidential questionnaire (covering areas such as the effectiveness of the Board in its monitoring role and the attainment of the strategic and long-term objectives set by the Board including the enhancements of shareholders' value), which is completed by each director individually. The completed qualitative questionnaires are submitted to the Company Secretary, who had prepared a comprehensive confidential report for the NC for discussion. The NC together with the Company Secretary presented the results and conclusions to the Board.

For FY2015, the NC is of the view that: -

a) the Board's current size and composition is appropriate, taking into account the nature and scope of the Group's operations and the diversity of the Board members' experience and attributes; and

b) no individual or small group of individuals dominates the Board's decision-making process.

ACCESS TO INFORMATION
PRINCIPLE 6

Complete, Adequate and Timely Information
Management recognises that the flow of complete, adequate and timely information on an on-going basis to the Board is essential to the Board's effective and efficient discharge of its duties. To allow directors sufficient time to prepare for the meetings, all scheduled Board and Board committee papers are distributed a week in advance of the meeting to directors. This enables the discussion during the meeting to focus on questions that directors may have. Any additional material or information requested by the directors is promptly furnished.

Any material variance between any projections and the actual results of budgets is disclosed and explained to the Board. Employees, who can provide additional insight into matters to be discussed, will be present at the relevant time during the Board and Board committee meetings.

To facilitate direct and independent access to the senior management, directors are also provided with the names and contact details of the management team.

The quarterly and year-end financial statements are reviewed and recommended by the AC to the Board for approval. To enable the Board to fulfil its responsibilities, management provides Board members with quarterly management accounts and other financial statements. In addition, the Board or an individual Board member may seek independent professional advice if necessary, at the Company's expense. Board members have full and independent access to senior management.

CORPORATE GOVERNANCE REPORT

Company Secretary
Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed and that the Company's memorandum and the articles, relevant rules and regulations and requirements of the SFA, Companies Act and Listing Manual are complied with. The Company Secretary also assists the Chairman and the Board to implement and strengthen corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary assists the Chairman to ensure good information flows within the Board and its committees, as well as facilitating orientation and assisting with professional development as required. The Company Secretary assists to ensure coordination and liaison between the Board, the Board committees and management. The Company Secretary assists the Chairman, the Chairman of each Board committee and management in the development of the agendas for the various Board and Board committee meetings.

The appointment and the removal of the Company Secretary are subject to the Board's approval as a whole.

Independent Professional Advice
The Board has a process for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
PRINCIPLE 7

Remuneration Committee
As at the date of this Report, the RC comprises the following members, all of whom are independent non-executive directors:

Mr Chng Beng Siong (Chairman)
Mr Fang Swee Peng
Mr Tan Kok Aun

The Board considers that the members of the RC collectively have strong management experience and expertise on remuneration issues.

The RC reviews and recommends to the Board for approval, matters concerning remuneration of the Board, senior management and employees. The RC approves the framework of remuneration for the entire organization and also approves the annual salary increment pool and market adjustments for staff of all grades. The RC's recommendations are submitted for the Board's discussion or, as the case may be, approval.

The RC may seek expert advice inside and/or outside the Company on remuneration of directors and staff.

LEVEL AND MIX OF REMUNERATION
PRINCIPLE 8

In performing its function, the Committee endeavors to establish an appropriate remuneration policy to attract, retain and motivate executive directors and senior executives, while at the same time ensure that the reward in each case takes into account individual performance as well as the Group's performance.

Remuneration packages of Executive Directors are fair, linking rewards with performance.

DISCLOSURE OF REMUNERATION
PRINCIPLE 9

The directors are paid only directors' fees, the amounts of which are dependent on the level of contributions, taking into account attendance, time spent, membership of Board committee and their respective responsibilities. They do not receive an attendance fee for attending meetings. In respect of fees for directors, approval of shareholders is requested at each annual general meeting of the Company.

CORPORATE GOVERNANCE REPORT

The level of each director's remuneration for the year ended 2015 are shown below:

	FEE ($)	SALARY ($)	BONUS ($)	BENEFITS ($)	TOTAL ($)
	$'000	$'000	$'000	$'000	$'000
Mr. Tan Eng Teong	49.0	240.0	260.0	-	549.0
Ms. Tan Hwa Lian	42.4	135.1	45.7	-	223.2
Mr. Tan Teck Lin	46.8	-	-	-	46.8
Mr. Tan Eng How	42.4	-	-	-	42.4
Mr. Fang Swee Peng	41.7	-	-	-	41.7
Mr. Chng Beng Siong	36.2	-	-	-	36.2
Mr. Tan Kok Aun	36.2	-	-	-	36.2

a) The top key executives are Frank Delli Cicchi, Ralph Freckelton, Peter Yared, Haydn Grant and John Plenca. Each of these key executive's remuneration falls below the $250,000 band. The aggregate total remuneration paid to the top 5 key executives (who are not Directors or MD) for the financial year ended 31 December 2015 was $975,613. The Company believes that the disclosure of the remuneration of each individual top five key management personnel, on a named basis and total in aggregate would not be in the interest of the Group's business, given the highly competitive nature of the core hotel business of the Group and the commercial sensitivity and confidentiality of remuneration. Furthermore, the Board also responds to questions, if any, from the shareholders on remuneration matters in the annual general meeting.

b) There is no employee of the Group who is an immediate family member of a director or the Chairman with remuneration exceeding $50,000 during the year except as disclosed below:

Remuneration of immediate family members of the Chairman and directors
Remuneration of employees who are immediate family members of the MD and the executive directors of the Company for the year ended 31 December 2015 is set out below:

Remuneration bands	**Name of employees**	**Employee's relationship**
$100,000 - $150,000	Tan Hwa Lam, Hellen	Daughter of Tan Eng Teong and sister of Tan Hwa Lian

The Company does not have any share option scheme.

For financial year 2015, there were no termination, retirement and post-employment benefits granted to directors and the top 5 key executives other than the contractual notice period termination payment in lieu of services in respect of the executive.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY
PRINCIPLE 10

The Board is accountable to the shareholders while the Management is accountable to the Board.

The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders no later than 45 days from the end of the quarter. Annual results are released within 60 days from the financial year-end. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Company's position and prospects. For the financial year under review, the Board and the Group Accountant have provided assurance to the Board on the integrity of the financial statements for the Company and its subsidiaries. For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with the Listing Rules. For the full year financial statements, the Board provides an opinion that the Group's internal controls, addressing financial, operational, compliance and

CORPORATE GOVERNANCE REPORT

information technology risks are adequate. This is based on the internal controls established and maintained by the Group, work performed by the external auditors, the carrying out of the internal audit function and reviews performed by management, various Board committees and the Board. This, in turn, is supported by a negative assurance statement from the Managing Director. The management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties.

RISK MANAGEMENT AND INTERNAL CONTROLS
PRINCIPLE 11

The Board has received assurance from the Managing Director and the Executive Directors on the Group's financial records and the effectiveness of the Group's risk management and internal controls. The Board also receives representation from the Managing Director and the Executive Directors on the Group's financial information and controls, including the financial records that these have been properly maintained and that the financial statements give a true and fair view of the Group's operations and finances.

Based on the internal controls established and maintained by the Company, work performed by the external auditors, the carrying out of the internal audit function and reviews performed by management, various Board committees and the Board, the AC and the Board are of the opinion that the Company's risk management systems and internal controls, addressing financial, operational, compliance and information technology risks, are adequate and effective as at 31 December 2015.

The Board has also received assurance from the Managing Director and the Executive Directors on the Group's financial records and the effectiveness of the Group's internal controls, and risk management based on regular review of the Dashboard of risks identified for the Group

The system of internal controls established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The Board has also received assurance from the Managing Director and the Executive Directors on the Group's financial records and the effectiveness of the Group's internal controls, and risk management based on regular review of the Dashboard of risks identified for the Group.

The Group's financial risk management objectives and policies are stated under Note 32 of the Financial Statements.

AUDIT COMMITTEE
PRINCIPLE 12

Composition of the AC
As at the date of this Report, the AC comprises the following members, all non-executive directors, the majority of whom, including the chairman, are independent directors.

Mr. Tan Kok Aun (Chairman)
Mr. Fang Swee Peng
Mr Chng Beng Siong
Mr Tan Eng How

The members of the AC collectively have strong accounting and related financial management expertise and experience.

Authority and Duties of the AC
The AC's primary role is to investigate any matter within its terms of reference. It has full access to, and the co-operation of, management and full discretion to invite any director or officer to attend its meetings. The AC has adequate resources, including access to external consultants and auditor, to enable it to discharge its responsibilities properly.

CORPORATE GOVERNANCE REPORT

The AC reviews the scope and results of audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditor. The AC also undertakes quarterly reviews of the nature, extent and costs of non-audit services provided by the external auditor, seeking to balance the maintenance of objectivity of the external auditor and their ability to provide value-for-money services.

The AC meets on a quarterly basis to review the integrity of the financial statements including the relevance and consistency of the accounting principles adopted. The Chairman, Group Accountant, Executive Directors, and the external auditor were invited to attend these meetings. The AC reviews and recommends the financial statements and corresponding SGXNET announcements to the Board for approval.

The AC reviews and assesses the adequacy and effectiveness of the Company's system of internal controls and regulatory compliance through discussions with management, the Group Internal Auditor, and the external auditor, at its quarterly AC meetings.

External Auditor
The AC recommends to the Board the appointment, re-appointment and removal of the external auditor, the remuneration and terms of engagement of the external auditor. The re-appointment of the external auditor is always subject to shareholder approval at the Company's annual general meeting.

During the financial year, the external auditor held a meeting with the AC, without the presence of management. The AC reviewed the independence and objectivity of the external auditor through discussions with them as well as a review of the volume and nature of non-audit services provided by the external auditor during the financial year under review. Based on this information, the AC is satisfied that the financial, professional and business relationships between the Company and the external auditor will not prejudice their independence and objectivity. Accordingly, the AC has recommended the re-appointment of Ernst & Young LLP as the auditors at the coming AGM.

In the review of the financial statements for the financial year ended 31 December 2015, the AC discussed with management and the external auditor the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. Following the review and discussions, the AC recommended to the Board the release of the full-year financial statements.

The AC has reviewed the non-audit services provided by the external auditors, which comprise tax services.

The total fees paid to our external auditor, Ernst & Young LLP, are as disclosed in Note 24(b) of the Financial Statements.

The Company has complied with Listing Rules 712, 715 and 716 in respect of the appointment of its auditors of the Company and Group companies.

Whistleblowing Policy
The Company has in place a Whistle Blowing Policy ("the Policy") for the Group, which provides a channel to employees and other parties to report in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The Policy was to assist the Audit Committee in managing allegations of fraud or other misconduct which may be made, so that investigations are carried out in an appropriate and timely manner; administrative, disciplinary and civil actions that are initiated following the completion of the investigations, are appropriate and fair; and actions are taken to correct the weakness in the existing system of internal processes which allowed the perpetration of the fraud and/or misconduct and to prevent recurrence.

There have been no established incidents pertaining to whistle-blowing for FY2015.

INTERNAL AUDIT
PRINCIPLE 13

The Group has established an in-house internal audit function for the Australia, New Zealand, China and Malaysia operations. The internal audit function for the Singapore operations is outsourced.

The in-house internal audit function has unfettered access to all the Group's documents, records, properties and personnel, including the AC. The AC is satisfied that the internal audit function has adequate resources to perform its functions effectively. In Australia and New Zealand, the Group Internal Auditor – Australia and New Zealand performs

CORPORATE GOVERNANCE REPORT

the role of the internal audit function. He prepares and executes a risk-based audit plan, so as to review the adequacy and effectiveness of the system of internal controls in the Australia and New Zealand operations. These include operational, financial, compliance and information technology controls. Regular reports highlighting material internal control weaknesses are submitted to management for its review. Management submits internal audit findings and recommendations to the AC on a regular basis. Significant internal audit findings and issues are discussed at AC meetings. Management and the Finance Department follow up on all internal audit recommendations to ensure that they are implemented in a timely and appropriate fashion.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS
PRINCIPLE 14

The Group's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET. The Company recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company. Resolutions tabled at general meetings are passed through a process of voting by poll which procedures are clearly explained by the scrutineers at such general meetings.

All shareholders are entitled to attend the AGM and are afforded the opportunity to participate effectively in the AGM. The articles allow a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the AGM. The articles also allow shareholders, who hold shares through nominees such as CPF and custodian banks, to attend the AGM as observers without being constrained by the two-proxy rule, subject to availability of seats.

COMMUNICATION WITH SHAREHOLDERS
PRINCIPLE 15

Disclosure of Information on a Timely Basis
The Company endeavors to maintain regular, timely, transparent and effective communication with shareholders and investors. Information is conveyed to shareholders on a timely basis through:
- The Annual Report, containing the full financial statements of the Company and the Group.
- Notices of Annual General Meeting /Extraordinary General Meeting ("AGM/EGM")
- SGXNET announcements. Results for the first three quarters are released to shareholders no later than 45 days from the end of the quarter. Annual results are released within 60 days from the financial year-end.

The Company does not practice selective disclosure. All price sensitive information is promptly disseminated via SGXNET. The Annual General Meeting is the principal forum for dialogue with shareholders. At each AGM, shareholders were invited to participate in the question-and-answer session. The Chairmen of various Board committees and the external auditors are present in the meeting to assist in answering relevant questions from shareholders.

CONDUCT OF SHAREHOLDER MEETINGS
PRINCIPLE 16

Shareholders are informed of shareholders' meetings through published notices and reports or circulars sent to all shareholders. The AGM procedures provide shareholders the opportunity to ask questions relating to each resolution tabled for approval. Opportunities are given to shareholders to participate, engage, and openly communicate to the directors, their views on matters relating to the Company.

At the shareholders' meeting, each distinct issue is proposed as a separate resolution.

The Chairmen of the Board and its committees are required to be present to address issues raised during the AGM. The Company's external auditors are also present to address any relevant queries from shareholders.

Shareholders are given the opportunity to vote at the AGM. However, as the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Announcement of the results of each resolutions put to the general are announced after the meeting via SGXNET.

CORPORATE GOVERNANCE REPORT

SECURITIES TRANSACTIONS

To guard against insider trading, the Company has a clear policy on the trading of its share by directors and executives within the Group.

The Company has adopted its own internal Code of Best Practices on Securities Transactions ("the Securities Transactions Code") in compliance with Rule 1207(19) of the Listing Manual. The Securities Transactions Code provides guidance to the directors and executives of the Group with regard to dealing in the Company's shares. It emphasises that the law on insider trading is applicable at all times, notwithstanding the window periods for dealing in the shares. The Securities Transactions Code also enables the Company to monitor such share transactions by requiring employees to report to the Company whenever they deal in the Company's shares.

In line with these best practices, the Company issues circulars to its Directors and officers informing that the Directors and its officers must not deal in its securities a month before the release of the full-year results and two weeks before the release of the quarterly results, as the case may be, and if they are in possession of unpublished material price-sensitive information. Directors and officers are also reminded that they should not deal in the Company's securities on short-term considerations.

The directors are required to notify the Company of any dealings in the Company's securities within two business days of the transactions.

The Board is satisfied with the Group's commitment in compliance with the Code.

CORPORATE STRUCTURE

SINGAPORE

- Hotel Chancellor @ Orchard Pte Ltd — 100%
- Grand Central International Management (S) Pte Ltd — 100%
- Grand Central Management (S) Pte Ltd — 100%
- Chancellor @ Orchard Pte Ltd — 100%

MALAYSIA

- Grand Central Enterprises (Penang) Sdn Bhd — 100%
- Shianke Lee La Sdn Bhd — 100%
- Grand Central Properties (M) Pte Ltd — 100%
- Grand Central Development Sdn Bhd — 28.6%
- Grand Central Enterprises Bhd — 23.8%

NEW ZEALAND

- Grand Central (NZ) Limited — 100%
- Grand Central Management (NZ) Ltd — 100%
- James Cook Hotel Limited — 100%
- James Cook Properties Limited — 100%
- Hotel Grand Chancellor (Auckland) Limited — 100%
- Hotel Grand Chancellor (Auckland City) Limited — 100%
- Grand Hotels International Limited — 100%
- Hotel Grand Chancellor (Christchurch) Limited — 100%

AUSTRALIA

- Grand Central (Australia) Pty Limited — 100%
- Grand Central Management (Australia) Pty Limited — 100%
- Hotel Grand Chancellor (Melbourne) Pty Limited — 100%
- Hotel Grand Chancellor (Brisbane) Pty Limited — 100%
- Gainspan Pty Limited — 100%
  - 50%
- 50%-Hotel Grand Chancellor (Hobart) Pty Limited — 100%
- Hotel Grand Chancellor (Launceston) Pty Limited — 100%
- Chancellor Inn (Tasmania) Pty Limited — 100%
- The Chancellor (Adelaide) Pty Limited — 100%
- Hotel Grand Chancellor (Adelaide) Pty Limited — 100%
- Hotel Grand Chancellor (Surfers Paradise) Pty Limited — 100%
- Grand Central (Flinders St) Pty Ltd — 100%
- Hotel Grand Chancellor (Palm Cove) Pty Limited — 100%
- Grand Central (Bourke St) Pty Ltd — 100%

CHINA

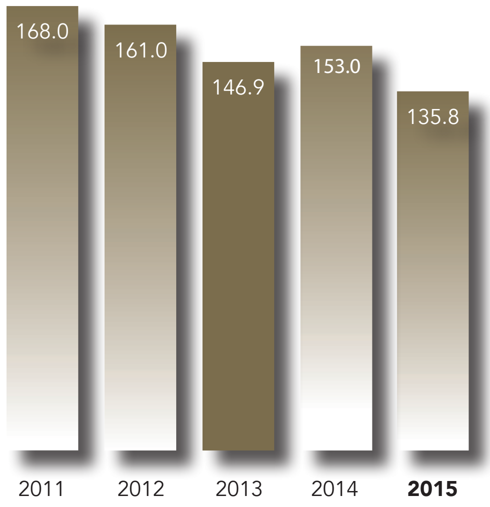
- Hotel Grand Central (Sihui) Co. Ltd — 100%

SUBSIDIARIES

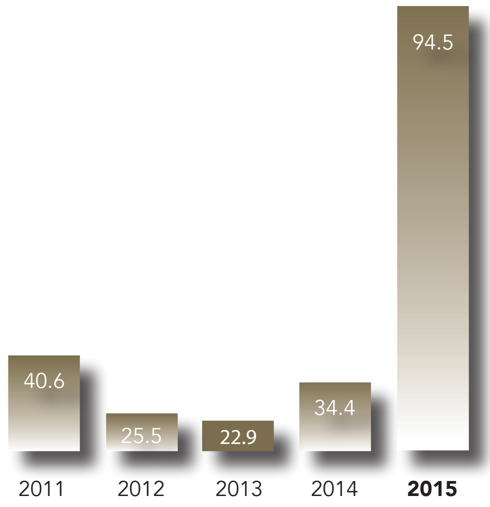
ASSOCIATES

FINANCIAL STATISTICS & CHARTS

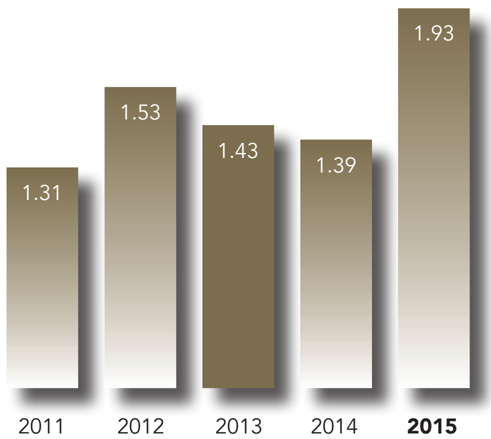
TURNOVER ($ MILLION)



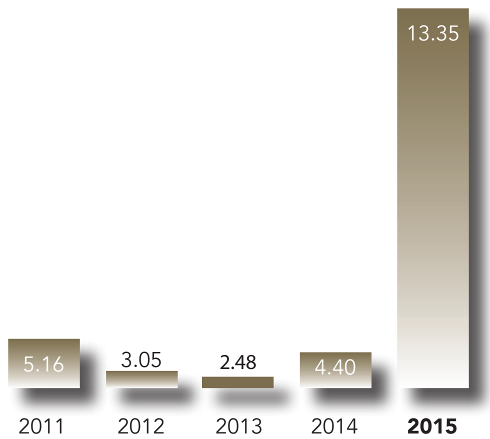
PROFIT BEFORE TAX ($ MILLION)



NET ASSETS PER SHARE ($)



NET EARNINGS PER SHARE (CENTS)



Profit & Loss ($ Million)	**2011**	**2012**	**2013**	**2014**	**2015**
Turnover	168.0	161.0	146.9	153.0	135.8
Profit Before Tax	40.6	25.5	22.9	34.4	94.5
Profit After Tax	27.2	17.0	14.5	26.8	85.5
Balance Sheet ($ Million)					
Total Assets	976.9	1,125.9	1,143.4	1,203.4	1,629.8
Paid Up Capital	295.1	316.9	343.3	369.8	422.0
Share Capital & Reserve	708.3	873.8	855.8	866.3	1,276.6
Selected Ratios					
Net Earnings Per Share (Cents)	5.16	3.05	2.48	4.40	13.35
Ordinary Dividends Per Share (Cents)	5.00	5.00	5.00	5.00	5.00
Special Dividends Per Share (Cents)	–	–	–	5.00	–
Net Assets Per Share ($)	1.31	1.53	1.43	1.39	1.93

DIRECTOR'S STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Hotel Grand Central Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Tan Eng Teong	(Chairman/Managing Director)
Tan Teck Lin	(Executive Director)
Tan Hwa Lian	(Executive Director)
Tan Eng How	
Fang Swee Peng	
Chng Beng Siong	
Tan Kok Aun	

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company as stated below:

	Direct interest		**Deemed interest**	
	At the beginning of financial year	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company				
Ordinary shares				
Tan Eng Teong	35,182	37,960	378,901,359	408,830,373
Tan Teck Lin	–	–	360,381,862	388,848,040
Tan Hwa Lian	5,433	5,433	–	–
Tan Eng How	867,889	936,441	341,097,525	368,040,455
Fang Swee Peng	549,179	592,557	–	–
Chng Beng Siong	37	37	27,711,609	27,711,609

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

By virtue of Section 7 of the Companies Act, Cap. 50, Tan Eng Teong, Tan Teck Lin and Tan Eng How are deemed to have an interest in the shares held by the Company in all its subsidiaries.

DIRECTOR'S STATEMENT

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

AUDIT COMMITTEE

The Audit Committee (AC) comprises four board members, three of whom are non-executive and independent directors. The members of the AC, during the financial year and at the date of this report, are:

Tan Kok Aun (Chairman)
Fang Swee Peng
Chng Beng Siong
Tan Eng How

The AC carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviewed the audit plan of the external auditors of the Company and the assistance given by the Company's management to the external auditors;

- Ensured the adequacy of the Company's system of internal accounting controls and reviewed effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management;

- Reviewed the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the board of directors;

- Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviewed the cost effectiveness and the independence and objectivity of the external auditors;

- Reviewed the nature and extent of non-audit services provided by the external auditors;

- Recommended to the board of directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;

- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with the external auditors, without the presence of the Company's management, at least once a year.

DIRECTOR'S STATEMENT

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 December 2015.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

AUDITORS

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the board of directors,

Tan Eng Teong
Director

Tan Teck Lin
Director

Singapore
8 April 2016

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOTEL GRAND CENTRAL LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Hotel Grand Central Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 24 to 95 which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

Singapore
8 April 2016

BALANCE SHEETS
as at 31 December 2015

	Note	Group	
		2015	**2014**
		$'000	$'000
Equity attributable to owners of the Company			
Share capital	4	421,997	369,764
Reserves	5	854,595	413,472
Reserve of disposal entity held for sale	10(b)	–	83,018
Total equity		1,276,592	866,254
Non-current assets			
Property, plant and equipment	6	1,097,793	656,284
Investment properties	7	157,748	119,790
Land use rights	8	1,254	1,274
Intangible assets		87	93
Goodwill	9	2,009	2,122
Investments in associates	11	12,079	26,078
Deferred tax assets	12	4,144	4,230
Investment securities	13	6,143	4,599
		1,281,257	814,470
Current assets			
Land use rights	8	48	47
Trade and other receivables	14	9,233	9,357
Inventories	15	920	959
Prepaid operating expenses		2,396	2,492
Pledged short-term deposits	16	37,335	38,146
Cash and short-term deposits	16	298,645	123,757
		348,577	174,758
Property held for sale	17	–	18,008
Assets of disposal entity held for sale	10(b)	–	196,143
		348,577	388,909
Current liabilities			
Deferred income		373	725
Income tax payable		2,519	2,937
Loans and borrowings	18	71,739	97,574
Trade and other payables	19	21,177	20,948
Accrued operating expenses		13,954	5,467
Derivatives	20	–	4
		109,762	127,655
Liabilities of disposal entity held for sale	10(b)	–	73,081
		109,762	200,736
Net current assets		238,815	188,173
Non-current liabilities			
Deferred tax liabilities	12	141,453	85,610
Loans and borrowings	18	102,027	50,779
		1,276,592	866,254

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS
as at 31 December 2015

	Note	Company 2015 $'000	Company 2014 $'000
Equity attributable to owners of the Company			
Share capital	4	421,997	369,764
Reserves	5	291,214	77,077
Total equity		713,211	446,841
Non-current assets			
Property, plant and equipment	6	270,348	123,770
Investments in subsidiaries	10	225,862	228,374
Investments in associates	11	12,401	17,498
Investment securities	13	6,143	4,599
Deferred tax assets	12	547	–
		515,301	374,241
Current assets			
Trade and other receivables	14	2,016	2,430
Inventories	15	19	16
Prepaid operating expenses		96	52
Pledged short-term deposits	16	37,335	38,146
Cash and short-term deposits	16	206,171	46,845
		245,637	87,489
Shares of disposal entity held for sale	10(b)	–	38,000
		245,637	125,489
Current liabilities			
Income tax payable		38	243
Trade and other payables	19	3,177	6,678
Accrued operating expenses		8,512	1,864
Derivatives	20	–	4
Loans and borrowings	18	–	44,100
		11,727	52,889
Net current assets		233,910	72,600
Non-current liabilities			
Loans and borrowings	18	36,000	–
		713,211	446,841

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT
for the financial year ended 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000
Revenue			
Hotel operations and management		126,184	142,524
Rental income from investment properties		9,613	10,464
Total revenue		135,797	152,988
Other income	22(a)	76,175	1,166
		211,972	154,154
Costs and expenses			
Staff costs	23	(47,740)	(51,028)
Depreciation of property, plant and equipment	6	(15,232)	(15,788)
Operating costs and expenses	24	(49,151)	(56,588)
Other expenses	22(b)	(12,794)	–
Profit from operating activities before fair value adjustment		87,055	30,750
Fair value gain on investment properties	7	7,674	4,427
Profit from operating activities		94,729	35,177
Finance costs	25	(3,042)	(3,143)
Interest income from fixed deposits		6,233	4,275
Foreign exchange loss, net		(4,227)	(2,148)
Share of results of associates		839	252
Profit before tax		94,532	34,413
Income tax expense	26	(9,079)	(7,583)
Profit net of tax and attributable to owners of the Company		85,453	26,830
Earnings per share attributable to owners of the Company (cents per share)			
Basic	27	13.35	4.40
Diluted	27	13.35	4.40

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT
for the financial year ended 31 December 2015

	Group	
	2015	**2014**
	$'000	$'000
Profit net of tax	85,453	26,830
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Impairment of James Cook Wellington hotel building	–	(295)
Reversal of deferred tax liability on revaluation reserve for Auckland Airport hotel	–	755
Revaluation surplus of hotel building – net and net of tax	363,071	–
	363,071	460
Items that may be reclassified subsequently to profit or loss		
Net (loss)/gain on fair value changes of available-for-sale financial assets	(686)	160
Foreign currency translation	(27,558)	(13,665)
	(28,244)	(13,505)
Other comprehensive income for the year, net of tax	334,827	(13,045)
Total comprehensive income for the year and attributable to owners of the Company	420,280	13,785

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2015

		Attributable to equity holders of the Company							
	Note	**Share capital**	**Retained earnings**	**Asset revaluation reserve**	**Fair value adjustment reserve**	**Foreign currency translation reserve**	**Other reserve**	**Reserve of disposal entity held for sale**	**Total equity**
Group		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015									
Opening balance at 1 January 2015		369,764	187,058	277,382	1,012	(53,412)	1,432	83,018	866,254
Profit net of tax		–	85,453	–	–	–	–	–	85,453
Other comprehensive income for the year									
Net loss on fair value changes of available-for-sale financial assets		–	–	–	(686)	–	–	–	(686)
Net surplus on revaluation of hotels assets		–	–	363,071	–	–	–	–	363,071
Foreign currency translation		–	–	–	–	(27,558)	–	–	(27,558)
Total comprehensive income for the year		–	85,453	363,071	(686)	(27,558)	–	–	420,280
Distributions to owners									
Scrip dividends	28	52,233	(52,233)	–	–	–	–	–	–
Cash dividends	28	–	(9,942)		–	–	–	–	(9,942)
Total distributions to owners		52,233	(62,175)	–	–	–	–	–	(9,942)
Others									
Transfer of reserve attributable to disposal entity classified as held for sale		–	83,018	–	–	–	–	(83,018)	–
Transfer from asset revaluation reserve to retained earnings		–	5,718	(5,718)	–	–	–	–	–
Total others		–	88,736	(5,718)	–	–	–	(83,018)	–
Closing balance at 31 December 2015		421,997	299,072	634,735	326	(80,970)	1,432	–	1,276,592

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2015

		Attributable to equity holders of the Company							
	Note	Share capital	Retained earnings	Asset revaluation reserve	Fair value adjustment reserve	Foreign currency translation reserve	Other reserve	Reserve of disposal entity held for sale	Total equity
Group		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2014									
Opening balance at 1 January 2014		343,260	177,236	372,764	852	(39,747)	1,432	–	855,797
Profit net of tax		–	26,830	–	–	–	–	–	26,830
Other comprehensive income for the year						–			
Net gain on fair value changes of available-for-sale financial assets		–	–	–	160	–	–	–	160
Impairment of James Cook Wellington hotel building		–	–	(295)	–	–	–	–	(295)
Reversal of deferred tax liability on revaluation reserve for Auckland Airport hotel		–	–	755	–	–	–	–	755
Foreign currency translation		–	–	–	–	(13,665)	–	–	(13,665)
Total comprehensive income for the year		–	26,830	460	160	(13,665)	–	–	13,785
Distributions to owners									
Scrip dividends	28	26,504	(26,504)	–	–	–	–	–	–
Cash dividends	28	–	(3,328)	–	–	–	–	–	(3,328)
Total distributions to owners		26,504	(29,832)	–	–	–	–	–	(3,328)
Others									
Transfer of reserve attributable to disposal entity classified as held for sale		–	–	(83,018)	–	–	–	83,018	–
Transfer from asset revaluation reserve to retained earnings		–	12,824	(12,824)	–	–	–	–	–
Total others		–	12,824	(95,842)	–	–	–	83,018	–
Closing balance at 31 December 2015		369,764	187,058	277,382	1,012	(53,412)	1,432	83,018	866,254

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2015

Company	Note	Share capital $'000	Retained earnings $'000	Asset revaluation reserve $'000	Fair value adjustment reserve $'000	Total equity $'000
2015						
Opening balance at 1 January 2015		369,764	6,740	69,325	1,012	446,841
Profit net of tax		–	147,220	–	–	147,220
Other comprehensive income for the year						
Net loss on fair value changes of available-for-sale financial assets		–	–	–	(686)	(686)
Net surplus on revaluation of hotel assets, net of tax		–	–	129,778	–	129,778
Total comprehensive income for the year		–	147,220	129,778	(686)	276,312
Scrip dividends	28	52,233	(52,233)	–	–	–
Cash dividends	28	–	(9,942)	–	–	(9,942)
Closing balance at 31 December 2015		421,997	91,785	199,103	326	713,211

Company	Note	Share capital $'000	Retained earnings $'000	Asset revaluation reserve $'000	Fair value adjustment reserve $'000	Total equity $'000
2014						
Opening balance at 1 January 2014		343,260	26,712	69,325	852	440,149
Profit net of tax		–	9,860	–	–	9,860
Net gain on fair value changes of available-for-sale financial assets		–	–	–	160	160
Total comprehensive income for the year		–	9,860	–	160	10,020
Scrip dividends	28	26,504	(26,504)	–	–	–
Cash dividends	28	–	(3,328)	–	–	(3,328)
Closing balance at 31 December 2014		369,764	6,740	69,325	1,012	446,841

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2015

	Note	Group	
		2015	2014
		$'000	$'000
Operating activities			
Profit before tax		94,532	34,413
Adjustments for:			
Amortisation of land use rights	8	48	45
Depreciation of property, plant and equipment	6	15,232	15,788
Dividend income from investment securities	22(a)	(236)	(149)
Fair value gain on derivatives	22(a)	–	(66)
Fair value gain on investment properties	7	(7,674)	(4,427)
Net gain on disposal of property, plant and equipment	22(a)	(5,265)	(946)
Gain on disposal of entity held for sale	10(b)	(70,638)	–
Impairment loss on property, plant and equipment	22(b)	1,154	–
Impairment loss on investment in an associated company	22(b)	9,904	–
Commission fee paid on sale of subsidiary	22(b)	1,736	–
Finance costs		3,042	3,143
Interest income		(6,233)	(4,275)
Effects of exchange rate changes		4,227	2,148
Share of results of associated companies		(839)	(252)
Operating cash flows before changes in working capital		38,990	45,421
Increase in inventories		(9)	(50)
Increase in trade and other receivables		(191)	(650)
Increase in prepaid operating expenses		(27)	(457)
Increase in trade and other payables		533	2,951
Increase in accrued operating expenses		8,656	3,321
Cash flows from operations		47,952	50,537
Interest received		6,233	4,275
Interest paid		(3,042)	(3,143)
Income taxes paid		(8,861)	(9,981)
Net cash flows generated from operating activities		42,282	41,688

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2015

	Note	Group	
		2015	**2014**
		$'000	$'000
Investing activities			
Dividend income from investment securities		236	149
Dividend income from associated companies		957	1,002
Receipt from other long-term receivables		–	1,408
Proceeds from disposal of property, plant and equipment		22,263	17,043
Net proceeds from disposal of entity held for sale	10(b)	247,184	–
Commission fee paid on sale of subsidiary		(1,736)	–
Purchase of property, plant and equipment	6	(53,964)	(64,847)
Purchase of investment securities		(2,230)	(504)
Additions to investment properties	7	(36,918)	(8,546)
Net cash flows generated from/(used in) investing activities		175,792	(54,295)
Financing activities			
Cash dividends paid on ordinary shares	28	(9,942)	(3,328)
Increase/(decrease) in fixed deposits pledged		811	(38,146)
Proceeds from loans and borrowings		167,970	79,258
Repayments of loans and borrowings		(193,600)	(28,061)
Repayments of obligations under finance leases		(6)	(24)
Net cash flows (used in)/generated from financing activities		(34,767)	9,699
Net increase/(decrease) in cash and cash equivalents		183,307	(2,908)
Effect of exchange rate changes on cash and cash equivalents		(9,235)	(4,541)
Cash and cash equivalents at 1 January		124,573	132,022
Cash and cash equivalents at 31 December		298,645	124,573
Cash and cash equivalents at end of year comprise:			
Cash and bank balances	16	30,211	33,284
Short-term deposits	16	268,434	90,473
Cash and bank balances from disposal entity held for sale	10(b)	–	816
Cash and cash equivalents at 31 December		298,645	124,573

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

1. CORPORATION INFORMATION

Hotel Grand Central Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 22 Cavenagh Road, Singapore 229617.

The principal activities of the Company consist of owning, operating and managing hotels. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$") and all values in the tables are rounded to the nearest thousand ("$'000") as indicated, except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but are not yet effective:

Description	*Effective for annual periods beginning on or after*
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 16 and FRS 41: *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Improvements to FRSs (November 2014)	
– FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
– FRS 107 *Financial Instruments: Disclosures*	1 January 2016
– FRS 19 *Employee Benefits*	1 January 2016
– FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception (Editorial corrections in June 2015)*	1 January 2016
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Standards issued but not yet effective (cont'd)*

Description	*Effective for annual periods beginning on or after*
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined[1]

[1] *The mandatory effective date of this Amendment had been revised from 1 Jan 2016 to a date to be determined by the Accounting Standards Council via Amendments to Effective Date of Amendments to FRS110 and FRS 28*.

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 *Basis of consolidation and business combinations*

(a) ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) ***Business combinations***

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss or as a change to other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) ***Business combinations (cont'd)***

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9 (a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 *Foreign currency*

The financial statements are presented in Singapore Dollars ("SGD"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) ***Consolidated financial statements***

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the weighted average exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 *Foreign currency (cont'd)*

(b) ***Consolidated financial statements (cont'd)***

Exchange differences arising on monetary items that or part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, furniture, fixtures and office equipment, plant, equipment and electrical fittings, kitchen and room equipment and motor vehicles are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land, leasehold land, and hotel buildings and improvements are measured at fair value less accumulated depreciation on leasehold land, hotel buildings and improvements and impairment losses recognised after the date of the revaluation. Valuations are performed at least once every three years to ensure that the carrying amount does not differ materially from the fair value of the freehold land, leasehold land and hotel buildings and improvements at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	– 99 years
Hotel buildings and improvements	– 50 years
Furniture, fixtures and office equipment	– 2 to 13 years
Plant, equipment and electrical fittings	– 10 years
Kitchen and room equipment	– 4 years
Motor vehicles	– 5 to 10 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 *Property, plant and equipment (cont'd)*

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.6 up to the date of change in use.

2.8 *Land use rights*

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease term of 35 years.

2.9 *Intangible assets*

(a) *Goodwill*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 *Intangible assets (cont'd)*

(a) ***Goodwill (cont'd)***

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.5.

(b) ***Other intangible assets***

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

2.10 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 *Impairment of non-financial assets (cont'd)*

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses

2.12 *Associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of associate's profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 *Associates (cont'd)*

Under the equity method, the investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained interest at its fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

2.13 *Financial instruments*

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 *Financial instruments (cont'd)*

(a) ***Financial assets (cont'd)***

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 *Financial instruments (cont'd)*

(b) ***Financial liabilities (cont'd)***

(i) Financial liabilities at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(iii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.14 *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial asset has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 *Impairment of financial assets (cont'd)*

(a) ***Financial assets carried at amortised cost (cont'd)***

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) ***Available-for-sale financial assets***

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.16 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition is determined based on purchase costs on a first-in first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.19 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 *Leases*

(a) ***As lessee***

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) ***As lessor***

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(b). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 *Customer loyalty programme*

The Group operates two different loyalty programmes: the Chancellor Club (CC), which earns a member one point for each night booked per room; and GC Rewards (GC), which earns a member one point for each dollar spent per stay. The points can then be redeemed for free goods and accommodation, subject to a minimum number of points being obtained.

Consideration received is allocated between the associated revenue and the points issued based on the fair value of the points. Fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

2.23 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as a principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Rendering of services***

Revenue from hotel operations and management comprises all income and proceeds from sales resulting from the operation of the hotel and all of the facilities therein and is recognised as and when goods and services are provided.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 *Revenue (cont'd)*

(b) ***Rental income***

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) ***Interest income***

Interest income is recognised using the effective interest method.

(d) ***Dividend income***

Dividend income is recognised when the Group's right to receive payment is established.

2.24 *Finance income and borrowing costs*

Finance income comprises interest income and net foreign currency gains recognised in profit or loss. Interest income is recognised using the effective interest method.

Finance costs comprise interest expenses on borrowings and net foreign currency losses recognised in profit or loss. All borrowing costs are expensed in the period they occur, except to the extent that they are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

2.25 *Taxes*

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 *Taxes (cont'd)*

(b) ***Deferred tax (cont'd)***

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 *Taxes (cont'd)*

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.26 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.28 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management makes judgements, apart from those involving estimations, which affect amounts recognised in the financial statements. In management's opinion, there are no key judgements which significantly impact financial statement amounts.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statement was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) ***Impairment assessment of hotel properties***

Assessment for impairment is performed at least annually. When there are indications of impairment, the recoverable value is assessed based on the fair value determined by external professional valuers or a value in use calculation using cash flow projections from financial budgets approved by management. These estimates are made based on management's experience of the industry, the specific hotel operations, and market demand. Any changes in these factors will affect the estimate of recoverable value of the hotel property. The carrying amount of the Group's hotel properties at the end of the reporting period is disclosed in Note 6 to the financial statements.

(b) ***Revaluation of investment properties***

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss and other comprehensive income respectively.

The fair values of investment properties are determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Income Method and the Discounted Cash Flow Method.

The determination of the fair values of the investment properties require the use of estimates such as future cash flows from assets (such as rental, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of each reporting date.

The carrying amount and key assumptions used to determine the fair value of the investment properties are further explained in Note 7.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

4. SHARE CAPITAL

	Group and Company			
	2015		2014	
	No. of shares ’000	$’000	No. of shares ’000	$’000
Issued and fully paid ordinary shares				
At 1 January	621,775	369,764	596,641	343,260
Scrip dividends (Note 28)	42,258	52,233	25,134	26,504
At 31 December	663,033	421,997	621,775	369,764

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

5. RESERVES

(a) *Asset revaluation reserve*

The asset revaluation reserve represents increases in the fair value of freehold land, leasehold land and hotel buildings and improvements, net of associated deferred tax, and decreases to the extent that such decrease relates to an increase in the same asset previously recognised in other comprehensive income.

(b) *Fair value adjustment reserve*

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(c) *Foreign currency translation reserve*

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group’s presentation currency.

(d) *Other reserve*

Other reserve comprises discount on acquisition of non-controlling interests.

Details of the above reserve accounts are disclosed in the statements of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

6. PROPERTY, PLANT AND EQUIPMENT

	At valuation			At cost					
Group	Freehold land	Leasehold land	Hotel buildings and improvements	Construction-in-progress	Furniture, fixtures and office equipment	Plant, equipment and electrical fittings	Kitchen and room equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation									
At 1 January 2014	219,482	314,866	253,166	23,332	87,468	18,827	1,054	686	918,881
Additions	–	–	1,186	60,940	2,562	151	8	–	64,847
Disposals	–	–	(530)	(12)	(254)	(11)	(2)	–	(809)
Reclassification	–	–	889	(2,495)	1,606	–	–	–	–
Impairment of hotel building charged to asset revaluation reserve	–	–	(416)	–	–	–	–	–	(416)
Transfer to property held for sale	(4,661)	–	(11,143)	(40)	(977)	(1,370)	–	(87)	(18,278)
Transfer to investment property (Note 7)	(4,609)	–	–	(1,196)	–	–	–	–	(5,805)
Transfer to disposal entity held for sale	–	(148,000)	(43,090)	–	(2,206)	(10,837)	(445)	–	(204,578)
Exchange differences	(4,164)	–	(6,575)	(78)	(3,121)	(18)	(5)	(1)	(13,962)
At 31 December 2014 and 1 January 2015	206,048	166,866	193,487	80,451	85,078	6,742	610	598	739,880
Additions	–	–	3,663	47,439	2,233	80	127	422	53,964
Disposals	–	–	–	–	(479)	–	–	–	(479)
Reclassification	–	–	96,438	(122,287)	7,237	16,281	2,331	–	–
Revaluation surplus	134,795	206,201	80,313	–	–	–	–	–	421,309
Impairment of hotel building	–	–	(1,791)	–	–	–	–	–	(1,791)
Elimination of accumulated depreciation on revaluation	–	(1,201)	(19,523)	–	–	–	–	–	(20,724)
Exchange differences	(5,407)	–	(10,400)	(355)	(3,837)	(327)	(30)	(12)	(20,368)
At 31 December 2015	335,436	371,866	342,187	5,248	90,232	22,776	3,038	1,008	1,171,791

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	At valuation			At cost					
	Freehold land	Leasehold land	Hotel buildings and improvements	Construction-in-progress	Furniture, fixtures and office equipment	Plant, equipment and electrical fittings	Kitchen and room equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation and impairment losses									
At 1 January 2014	–	4,394	13,374	–	54,030	7,892	969	517	81,176
Charge for the year	–	790	6,152	–	7,390	1,346	59	51	15,788
Disposals	–	–	(105)	–	(161)	(1)	(2)	–	(269)
Transfer to property held for sale	–	–	(439)	–	(295)	(263)	–	(72)	(1,069)
Transfer to disposal entity held for sale	–	(2,371)	(1,355)	–	(1,027)	(4,273)	(414)	–	(9,440)
Exchange differences	–	–	(228)	–	(2,329)	(28)	(5)	–	(2,590)
At 31 December 2014 and 1 January 2015	–	2,813	17,399	–	57,608	4,673	607	496	83,596
Charge for the year	–	1,201	6,541	–	6,243	927	271	49	15,232
Disposals	–	–	–	–	(319)	–	–	–	(319)
Impairment of hotel building	–	–	(637)	–	–	–	–	–	(637)
Elimination of accumulated depreciation on revaluation	–	(1,201)	(19,523)	–	–	–	–	–	(20,724)
Exchange differences	–	–	(381)	–	(2,559)	(169)	(30)	(11)	(3,150)
At 31 December 2015	–	2,813	3,399	–	60,973	5,431	848	534	73,998
Net carrying amount									
At 31 December 2014	206,048	164,053	176,088	80,451	27,470	2,069	3	102	656,284
At 31 December 2015	335,436	369,053	338,788	5,248	29,259	17,345	2,190	474	1,097,793

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At valuation		At cost					
Company	Freehold land	Hotel buildings and improvements	Construction-in-progress	Furniture, fixtures and office equipment	Plant, equipment and electrical fittings	Kitchen and room equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation								
At 1 January 2014	96,000	2,524	6,903	194	12	7	405	106,045
Additions	–	–	18,329	1	–	–	–	18,330
At 31 December 2014 and 1 January 2015	96,000	2,524	25,232	195	12	7	405	124,375
Additions	–	3,178	12,669	11	4	2	422	16,286
Reclassification	–	27,330	(37,901)	3,120	6,485	966	–	–
Revaluation	125,000	5,756	–	–	–	–	–	130,756
Elimination of accumulated depreciation on revaluation	–	(294)	–	–	–	–	–	(294)
At 31 December 2015	221,000	38,494	–	3,326	6,501	975	827	271,123
Accumulated depreciation								
At 1 January 2014	–	77	–	105	8	7	299	496
Depreciation charge for the year	–	49	–	19	1	–	40	109
At 31 December 2014 and 1 January 2015	–	126	–	124	9	7	339	605
Depreciation charge for the year	–	168	–	77	129	48	42	464
Elimination of accumulated depreciation on revaluation	–	(294)	–	–	–	–	–	(294)
At 31 December 2015	–	–	–	201	138	55	381	775
Net carrying amount								
At 31 December 2014	96,000	2,398	25,232	71	3	–	66	123,770
At 31 December 2015	221,000	38,494	–	3,125	6,363	920	446	270,348

Revaluation of land and buildings

Land and buildings were revalued on 31 December 2015 based on valuations performed by accredited independent valuers. The last revaluation of land and building was on 31 December 2012.

The land and buildings are stated at fair value based on valuations performed by independent accredited professional valuers. All valuations are made based on the income method.

The specific risks in each of the hotel properties are taken into consideration in arriving at the property valuation. The valuation methods used in determining the fair value involve certain estimates including those relating to capitalisation rate, discount rate and terminal yield. In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Revaluation of land and buildings (cont'd)

If the freehold land, leasehold land and hotel buildings and improvements were measured using the cost model, the carrying amounts would be as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Freehold land at 31 December:				
Cost and net carrying amount	41,751	42,204	2,749	2,749
Leasehold land at 31 December:				
Cost	3,021	3,021	–	–
Accumulated depreciation	(465)	(422)	–	–
Net carrying amount	2,556	2,599	–	–
Hotel buildings and improvements at 31 December:				
Cost	310,392	239,297	33,030	2,522
Accumulated depreciation	(55,077)	(51,684)	(294)	(126)
Net carrying amount	255,315	187,613	32,736	2,396

Assets under construction

In 2014, the Group's construction-in-progress relates to the construction of two hotels and refurbishment of certain hotels in the Group.

In 2015, the construction of the two hotels, Hotel Grand Central and Hotel Chancellor @ Orchard in Singapore, were completed.

Capitalisation of borrowing costs

The Group's construction-in-progress includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of two hotels. During the financial year, the borrowing costs capitalised as cost of construction-in-progress amounted to $1,255,000 (2014: $733,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was at 1.37% to 5.22% (2014: 1.38% to 1.57%), which is the effective interest rate of the specific borrowings.

Cash flows during the year

During the financial year, the cash outflow on direct acquisition of property, plant and equipment amounted to $53,964,000 (2014: $64,847,000).

Assets held under finance leases

The carrying amount of furniture, fixtures and office equipment held under finance leases at the end of the reporting period was $Nil (2014: $6,000).

These assets were pledged as security for the related finance lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Property, plant and equipment pledged as security

In addition to assets held under finance leases, the carrying amounts of the Group's and the Company's freehold land, leasehold land and hotel buildings and improvements mortgaged to secure bank borrowings (Note 18) are as follows:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Freehold land	236,905	112,242	221,000	96,000
Leasehold land	325,000	120,000	–	–
Hotel buildings and improvements	135,748	103,756	35,970	25,232
	697,653	335,998	256,970	121,232

Impairment of assets

In 2015, Hotel Grand Chancellor Adelaide on Hindley was revalued. It was assessed that a portion of the costs of the hotel was not recoverable through use and impaired. Because there was insufficient asset revaluation reserve to offset the impairment, the amount of $1,154,000 was charged to profit or loss.

In 2014, James Cook Wellington hotel was upgraded for seismic strengthening works. It was assessed that a portion of the upgrading costs were not recoverable through use and were impaired. The impairment of building was offset against the asset revaluation reserve to the extent of the specific asset revaluation reserve balance for the hotel of $416,000 inclusive of tax on such reserve of $121,000.

7. INVESTMENT PROPERTIES

Group 2015	Completed investment properties $'000	Investment properties under construction $'000	Total $'000
At 1 January	103,551	16,239	119,790
Additions	2,290	34,628	36,918
Net gain from fair value adjustments recognised in profit or loss	7,532	142	7,674
Exchange differences	(5,582)	(1,052)	(6,634)
At 31 December	107,791	49,957	157,748
Group			
2014			
At 1 January	102,644	987	103,631
Reclassification of Christchurch land from property, plant and equipment	–	5,805	5,805
Additions	28	8,518	8,546
Net gain from fair value adjustments recognised in profit or loss	3,495	932	4,427
Exchange differences	(2,616)	(3)	(2,619)
At 31 December	103,551	16,239	119,790

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

7. INVESTMENT PROPERTIES (CONT'D)

(a) *Completed investment properties*

Completed investment properties comprise commercial properties that are leased to third parties vendor operating leases.

Completed investment properties are stated at fair value which has been determined based on valuations performed at balance sheet date. The valuations were performed by an accredited independent valuer with recognised and relevant professional qualification and with recent experience in the location and category of properties being valued. The valuations are determined based on the direct capitalisation approach. This approach involves capitalising the actual contract and/or potential net income at an appropriate market derived rate of return. In situations where the contract rental varies from the anticipated market rent the rental surplus or rental shortfall is calculated on a present value basis and adjusted against the capitalised value. The capitalised value may also be adjusted for costs associated with vacancy/part vacancy if this exists or is pending.

In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions.

Where external independent professional valuations were obtained, these were carried out by the following valuers:

Country	**2015 Valuers**	**2014 Valuers**
Australia	CBRE Limited	CBRE Limited
New Zealand	CBRE Limited	CBRE Limited

The property rental income earned by the Group for the year ended 31 December 2015 from its investment properties, all of which are leased out under operating leases, amounted to $9,613,000 (2014: $10,464,000). Direct operating expenses (including repairs and maintenance) arising on the rental-earning investment properties amounted to $1,961,000 (2014: $2,373,000).

Completed investment properties amounting to approximately $84,063,000 (2014: $80,689,000) have been mortgaged to banks as securities for bank facilities.

(b) *Investment property under construction*

Investment property under construction is valued annually by external valuers by estimating the fair value of the land and adding the construction costs incurred to date.

The external independent professional valuations were carried out by the following valuer:

Country	**2015 Valuers**	**2014 Valuers**
New Zealand	CBRE Limited	CBRE Limited

Capitalisation of borrowing costs

The Group's investment property under construction includes borrowing costs arising from bank loans borrowed specifically for the purpose of construction of the investment property. During the financial year, the borrowing cost capitalised as cost of investment property under construction amount to $799,600 (2014: $Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was at 4.60% to 5.35% (2014: Nil), which is the effective interest rate of specific borrowings.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

8. LAND USE RIGHTS

	Group	
	2015	2014
	$'000	$'000
Cost		
At 1 January	1,578	1,547
Exchange differences	34	31
At 31 December	1,612	1,578
Accumulated amortisation		
At 1 January	257	206
Amortisation for the year	48	45
Exchange differences	5	6
At 31 December	310	257
Net carrying amount	1,302	1,321
Amount to be amortised:		
Current		
- Not later than one year	48	47
Non-current		
- Later than one year but not later than five years	191	187
- Later than five years	1,063	1,087
	1,254	1,274
	1,302	1,321

The Group has land use rights over a plot of state-owned land (2,547.79 sqm) in the People's Republic of China ("PRC") where the Group's PRC hotel resides. The land use rights have a remaining tenure of 29 years (2014: 30 years).

9. GOODWILL

	Group	
	2015	2014
	$'000	$'000
Cost		
At 1 January	4,829	5,801
Transfer to property held for sale	–	(799)
Exchange differences	(238)	(173)
At 31 December	4,591	4,829
Accumulated impairment		
At 1 January	2,707	2,820
Exchange differences	(125)	(113)
At 31 December	2,582	2,707
Net carrying amount		
At 31 December	2,009	2,122

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

9. GOODWILL (CONT'D)

Goodwill acquired through business combinations pertains to the following cash-generating unit ("CGU") to which the acquired goodwill was allocated:

	Group	
	2015	**2014**
	$'000	$'000
Hotel located in Wellington, New Zealand	709	759
Hotel located in Surfers Paradise, Australia	1,300	1,363
	2,009	2,122

Wellington Hotel

The recoverable amount of the CGU of the Wellington hotel has been determined through value in use assessment using income approach by the independent accredited professional valuer, CBRE Limited. The Wellington hotel's discounted cash flow projections were based on the EBITDA growth rate of 4.7% (2014: 0.22%) and a terminal yield of 8.00% (2014: 8.25%).

The pre-tax discount rate applied to the five-year cash flow projections are as follows:

	Group	
	2015	**2014**
	%	%
Hotel located in Wellington, New Zealand	10.5	9.75

Surfers Paradise

The recoverable amount of the CGU of the Surfers Paradise hotel has been determined through value-in-use assessment using income approach by the independent accredited professional valuer, Colliers International Consultancy and Valuation Pty Limited. The Surfers Paradise hotel's income approach was based on the EBITDA growth rate of 6.69% (2014: 1.22% to 4.93%) and a terminal yield of 7.50% (2014: 9.25%).

The pre-tax discount rate is as follows:

	Group	
	2015	**2014**
	%	%
Hotel located in Surfer's Paradise, Australia	9.25	10.25

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

9. GOODWILL (CONT'D)

Key assumptions used in the value in use calculations

The calculations of value in use for both the CGUs are most sensitive to the following assumptions:

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Assessment of impairment

As the recoverable amounts of the CGU in Wellington, New Zealand and Surfers Paradise, Australia exceed their respective carrying amounts (inclusive of goodwill), no goodwill impairment loss provision is recorded at the end of the reporting period.

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	**2014**
	$'000	$'000
Shares, at cost	232,294	270,294
Addition	1,700	–
Disposal	(4,212)	–
Transferred to shares in disposal entity held for sale (Note 10(b))	–	(38,000)
Impairment loss	(3,920)	(3,920)
	225,862	228,374

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) *Subsidiary companies*

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group		Cost of investment	
			2015	2014	2015	2014
			%	%	$'000	$'000
Held by the Company						
** Hotel Chancellor @ Orchard Pte Ltd (previously known as Grand Central Development (1978) Pte Ltd)	Hotel operations	Singapore	100	100	5,000	3,300
** Grand Central International Management (S) Pte Ltd	Dormant	Singapore	100	100	– *	– *
** Grand Central Management (S) Pte Ltd	Provision of marketing and support services	Singapore	100	100	– *	– *
Chancellor @ Orchard Pte Ltd	Dormant	Singapore	100	–	– *	–
϶ Grand Central Enterprises (Penang) Sdn Bhd	Hotel operations	Malaysia	100	100	18,246	18,246
@ Grand Central Properties (M) Sdn Bhd	Dormant	Malaysia	100	100	1,085	1,085
# Grand Central (Australia) Pty Ltd	Hotel operations	Australia	100	100	180,846	180,846
# Grand Central (NZ) Ltd	Commercial property investment	New Zealand	100	100	4,595	4,595
Φ Hotel Grand Central (Sihui) Co. Ltd	Hotel operations	People's Republic of China	100	100	16,090	24,222
					225,862	232,294

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) *Subsidiary companies (cont'd)*

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group 2015 %	Effective equity held by the Group 2014 %
Held through Subsidiaries				
∍ Shianke Lee La Sdn Bhd	Hotel operations	Malaysia	100	100
# Grand Central Management (NZ) Ltd	Provision of management services	New Zealand	100	100
# Hotel Grand Chancellor (Christchurch) Ltd	Dormant	New Zealand	100	100
# Hotel Grand Chancellor (Auckland) Ltd	Hotel operations	New Zealand	100	100
# James Cook Hotel Ltd	Hotel operations	New Zealand	100	100
# James Cook Properties Ltd	Property investment	New Zealand	100	100
# Grand Hotels International Ltd	Dormant	New Zealand	100	100
# Hotel Grand Chancellor (Auckland City) Ltd	Hotel operations	New Zealand	100	100
# Gainspan Pty Ltd	Investment holding	Australia	100	100
# Grand Central Management (Australia) Pty Ltd	Dormant	Australia	100	100
# Hotel Grand Chancellor (Brisbane) Pty Ltd	Hotel operations	Australia	100	100
# Hotel Grand Chancellor (Hobart) Pty Ltd	Hotel operations	Australia	100	100
# Hotel Grand Chancellor (Melbourne) Pty Ltd	Hotel operations	Australia	100	100
# Chancellor Inn (Tasmania) Pty Ltd	Dormant	Australia	100	100
# The Chancellor (Adelaide) Pty Ltd	Hotel operations	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) *Subsidiary companies (cont'd)*

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group	
			2015	2014
			%	%
Held through Subsidiaries (cont'd)				
# Hotel Grand Chancellor (Launceston) Pty Ltd	Hotel operations	Australia	100	100
# Hotel Grand Chancellor (Adelaide) Pty Ltd	Hotel operations	Australia	100	100
# Hotel Grand Chancellor (Surfers Paradise) Pty Ltd	Hotel operations	Australia	100	100
# Grand Central (Flinders St) Pty Ltd	Commercial property investment	Australia	100	100
# Hotel Grand Chancellor (Palm Cove) Pty Ltd	Hotel operations	Australia	100	100
# Grand Central (Bourke Street) Pty Ltd	Dormant	Australia	100	100

* Less than $1,000.
** Audited by Ernst & Young LLP, Singapore.
\# Audited by member firms of Ernst & Young Global in the respective countries.
϶ Audited by Baker Tilly AC, Penang.
Φ Audited by Guangdong Zhaoqing Zhongpeng Certified Public Accountants Co., Ltd.
@ The company commenced voluntary liquidation procedures on 12 February 2010.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

10. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) *Disposal of subsidiary companies*

Hotel Grand Chancellor Pte Ltd

In 2014, the Company announced the decision of its board of directors to dispose of one of its wholly-owned subsidiaries, Hotel Grand Chancellor Pte Ltd ("HGCPL"), which was previously reported in the hotel operations segment. As at 31 December 2014, the assets and liabilities related to HGCPL were presented in the balance sheet as "Assets of disposal entity classified as held for sale" and "Liabilities of disposal entity classified as held for sale".

On 15 January 2015, Hotel Grand Chancellor Pte Ltd ("HGCPL") was disposed of to a third party, for a sale consideration of $248,000,000. A commission fee of $1,736,000 was paid to an external party in relation to the sale (Note 22(b)).

The value of the assets and liabilities of HGCPL recorded in the consolidated financial statements as at the disposal date and the effects of disposal were:

	At disposal date $'000
Assets	
Property, plant and equipment	195,138
Trade and other receivables	465
Prepaid operating expenses	24
Cash and short-term deposits	816
	196,443
Liabilities	
Loans and borrowings	54,000
Deferred tax liabilities	17,800
Income tax payable	1,281
	73,081
Carrying value of net assets disposed	123,362
Cash consideration	248,000
Less: Cash and cash equivalents of the subsidiary	(816)
Net cash inflow on disposal of subsidiary	247,184

Gain on disposal:

Cash received	248,000
Repayment of loans and borrowings of subsidiary	(54,000)
Net assets derecognised	(123,362)
Gain on disposal (Note 22(a))	70,638

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

11. INVESTMENTS IN ASSOCIATES

The Group's investments in associates comprised:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Grand Central Enterprises Bhd	9,571	22,883	9,571	14,668
Grand Central Development Sdn Bhd	2,508	3,195	2,830	2,830
	12,079	26,078	12,401	17,498
Fair value of investment in an associate for which there is a published price quotation	9,571	16,922		

Details of the associates of the Group are set out below:

Name of associate	Principal activities	Country of incorporation	Effective equity held by the Group 2015 %	Effective equity held by the Group 2014 %
Held by the Company				
# Grand Central Enterprises Bhd	Hotel operations	Malaysia	23.8	23.8
@ Grand Central Development Sdn Bhd	Property development	Malaysia	28.6	28.6

\# Audited by a member firm of Ernst & Young Global in Malaysia.
@ Audited by W. K. Lee & Company, Kuala Lumpur.

The activities of the associates are strategic to the Group activities.

The summarised financial information of the associates, based on its FRS financial statements and a reconciliation with the carrying amounts of the investments in the consolidated financial statements are as follows:

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

11. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of the associates of the Group are as below (cont'd):

Summarised balance sheet

	Grand Central Enterprise Bhd		Grand Central Development Sdn Bhd	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Assets and liabilities:				
Current assets	25,450	30,830	10,981	13,917
Non-current assets	64,686	76,732	2,010	2,436
Total assets	90,136	107,562	12,991	16,353
Current liabilities	1,789	2,071	316	525
Non-current liabilities	5,876	8,558	–	1
Total liabilities	7,665	10,629	316	526
Net assets	82,471	96,933	12,675	15,827
Proportion of the Group's ownership	23.8%	23.8%	28.6%	28.6%
Group's share of net assets	19,628	23,060	3,625	4,527
Adjustments:				
– Impairment loss	(9,904)	–	–	–
– Others	(153)	(177)	(1,117)	(1,332)
	9,571	22,883	2,508	3,195

Summarised statement of comprehensive income

	Grand Central Enterprise Bhd		Grand Central Development Sdn Bhd	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Revenue	2,598	2,904	500	550
(Loss)/profit net of tax	(155)	(59)	332	365

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

11. INVESTMENTS IN ASSOCIATES (CONT'D)

Impairment testing of investment in an associated company

During the year, management performed an impairment test for the investment in Grand Central Enterprises Bhd ("GCE Bhd").

The recoverable amount was determined as the higher of value in use or fair value less costs to sell of the investment. The value in use was calculated using cash flow projections from financial budgets approved by management covering a five-year period. A pre-tax discount rate of 7.98%, risk free rate of 4.75%, equity beta of 1.0 and an average growth rate of 25% (Year 1), 21% (Year 2), 20% (Year 3), 18% (Year 4) was applied to the cash flow projections. The fair value less costs to sell was calculated using the open market trading price of Grand Central Enterprise Bhd's shares on the Bursa Malaysia, less anticipated selling costs.

Based on management's calculations, it was determined that the fair value less costs to sell would result in a higher recoverable amount, and an impairment loss of $9,904,000 (2014: $Nil) was recognised in the current year to write down this investment in associated company to its recoverable amount. The impairment loss was recognised in the "Other expenses" (Note 22(b)) line item of the profit or loss.

12. DEFERRED TAX

Deferred income tax at 31 December relates to the following:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Deferred tax assets				
Provisions and other liabilities	(1,452)	(1,981)	–	–
Fair value adjustments on acquisition of Palm Cove hotel	(2,145)	(2,249)	–	–
Unutilised tax losses	(547)	–	(547)	–
	(4,144)	(4,230)	(547)	–
Deferred tax liabilities				
Differences in depreciation for tax purposes	24,992	17,436	–	–
Revaluations to fair value:				
- Land, hotel buildings and improvements	116,614	67,473	–	–
Other items	294	1,125	–	–
	141,900	86,034	–	–
Less: Deferred tax assets				
Provisions and other liabilities	(117)	(178)	–	–
Unabsorbed capital allowances	(130)	(128)	–	–
Unutilised tax losses	(200)	(118)	–	–
	(447)	(424)	–	–
Net deferred tax liabilities	141,453	85,610	–	–
Disclosures in balance sheets				
Deferred tax assets	(4,144)	(4,230)	(547)	–
Deferred tax liabilities	141,453	85,610	–	–
	137,309	81,380	(547)	–

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

12. DEFERRED TAX (CONT'D)

Unutilised tax losses and unabsorbed capital allowances

The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2014: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 28).

Tax consequences of unremitted foreign interest income

At the end of the reporting period, no deferred tax liability has been recognised for taxes that would be payable on the unremitted foreign interest income because:

- The parent is able to control the timing of the reversal of the temporary difference; and

- It is probable that the temporary difference will not reverse in the foreseeable future.

The deferred tax liability on such temporary differences that has not been recognised amounts to $4,227,000 (2014: $3,881,000).

Tax consequences of undistributed earnings of overseas subsidiaries

At the end of the reporting period, no deferred tax liability has been recognised for withholding tax that would be payable on certain undistributed earnings of the overseas subsidiaries as the Group has determined that portion of the undistributed earnings of its overseas subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax has been recognised aggregate to approximately $124,251,000 (2014: $89,209,000) and the deferred tax liability is estimated at approximately $13,666,000 (2014: $10,093,000).

13. INVESTMENT SECURITIES

	Group and Company	
	2015	**2014**
	$'000	$'000
Non-current:		
Available-for-sale financial assets		
Shares (quoted), at fair value	6,143	4,599

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	7,747	7,904	340	1,186
Amount due from subsidiaries	–	–	824	248
Deposits	109	196	16	125
Other receivables	1,377	1,257	836	871
Total trade and other receivables	9,233	9,357	2,016	2,430
Add: Cash and short-term deposits (Note 16)	298,645	123,757	206,171	46,845
Pledged short-term deposits (Note 16)	37,335	38,146	37,335	38,146
Total loans and receivables	345,213	171,260	245,522	87,421

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Trade receivables are denominated in the respective functional currencies of the entities in the Group.

Related party balances

Amount due from subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $638,000 (2014: $381,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2015	**2014**
	$'000	$'000
Trade receivables past due but not impaired:		
61 to 90 days	360	250
More than 90 days	278	131
	638	381

The Group does not have trade receivables that are impaired at the end of the 2015 and 2014 reporting periods.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

15. INVENTORIES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance sheet:				
Food and beverage	730	699	10	6
Sundry stores and consumables	190	260	9	10
	920	959	19	16
Income statement:				
Inventories recognised as an expense in stock consumables (Note 24(a))	9,897	10,737		

16. CASH AND SHORT-TERM DEPOSITS AND PLEDGED SHORT-TERM DEPOSITS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash at bank and on hand	30,211	33,284	2,941	6,509
Short-term deposits	268,434	90,473	203,230	40,336
Cash and short-term deposits	298,645	123,757	206,171	46,845
Pledged short-term deposits	37,335	38,146	37,335	38,146

Cash at bank

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.75% to 2.48% (2014: 0.25% to 3.0%) per annum.

Short-term deposits

Short-term deposits of the Group and Company are placed with financial institutions, have an average maturity of up to 90 days (2014: 90 days) and effective interest rates ranging from 0.01% to 4.68% (2014: 0.01% to 4.78%) per annum.

Pledged short-term deposits

A subsidiary of the Company, Grand Central (NZ) Limited, undertook a revolving credit facility with a bank for the purpose of financing the construction of the Christchurch land. The facility requires a charge to be placed on the Company's short-term deposits amounting to 110% of facility amount. Pledged short-term deposits are denominated in AUD.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

16. CASH AND SHORT-TERM DEPOSITS AND PLEDGED SHORT-TERM DEPOSITS (CONT'D)

Cash and short-term deposits denominated in foreign currencies are as follows:

	Group	
	2015	**2014**
	$'000	$'000
AUD	80,663	82,726
NZD	59,211	43,872
MYR	18,895	21,339
USD	11	10
RMB	6,811	5,977
	165,591	153,924

A reconciliation of the Group's cash and short-term deposits to its cash and cash equivalents has been presented in the consolidated cash flow statement.

17. PROPERTY HELD FOR SALE

On 10 October 2014, the Group entered into a sale and purchase agreement with an external party in relation to the sale of the Hotel Grand Chancellor Auckland Airport property owned by one of its wholly owned subsidiaries for a cash consideration of $22.3 million (NZ$23.3 million). The decision was made so as to enable the Group to realise its investment in the property. The sale was completed on 3 March 2015.

18. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2015	**2014**	**2015**	**2014**
		$'000	$'000	$'000	$'000
Current:					
Obligations under finance leases (Note 21)	Within 1 year	–	6	–	–
Bank term loans – short term portion (Note 18(I))	Within 1 year	37,842	59,025	–	35,000
Short term bank loans (Note 18(II))	Within 1 year	33,897	38,543	–	9,100
		71,739	97,574	–	44,100
Non-current:					
Bank term loans – long term portion (Note 18(I))	Within 2 - 3 years	102,027	50,779	36,000	–
Total loans and borrowings		173,766	148,353	36,000	44,100

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

18. LOANS AND BORROWINGS (CONT'D)

(I) ***Bank term loans***

Details of the bank term loans are as follows:

Subsidiaries

(i) SGD loan to subsidiary in Singapore

	Loans outstanding as at 31 December	
	2015	**2014**
	$'000	$'000
Current	2,000	20,000
Non-current	60,700	–
	62,700	20,000

The loan is secured by way of a legal mortgage over the leasehold land of the subsidiary and a hotel on the leasehold land. The loan has an interest rate at 1.25% per annum above SGD swap cost and was refinanced on 2 November 2015. The effective interest rate is 1.58% to 2.67% (2014: 1.58%) during the year.

(ii) NZD loan to subsidiary in New Zealand

Current	726	777
Non-current	5,327	7,251
	6,053	8,028

The NZD loan that was granted to a subsidiary in New Zealand is secured by way of a legal mortgage over the Lumley House building. The loan has a variable interest rate based on the Customised Average Rate Loan ("CARL") rate and ranged between 4.80% to 5.89% (2014: 5.24% to 6.17%). The loan is repayable in annual installments of NZ$750,000 each commencing 13 March 2013 with a final payment of the remaining outstanding amount on 13 March 2017.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

18. LOANS AND BORROWINGS (CONT'D)

(I) ***Bank term loans (cont'd)***

Subsidiaries (cont'd)

	Loans outstanding as at 31 December	
	2015	**2014**
	$'000	$'000
(iii) AUD loan 1 to subsidiaries in Australia		
Non-current	–	6,713

The AUD loan was granted to a subsidiary in Australia and was secured by way of a legal mortgage over Hotel Grand Chancellor Brisbane, and assignment of contractual rights and insurance policies over the property. The loan bore interest at 1.40% per annum above the bank bill rates. The effective interest rates ranged from 2.07% to 2.69% (2014: 2.66% to 2.72%) during the year. Interest was repriced every month. The loan was repaid on 30 December 2015.

	2015 $'000	2014 $'000
(iv) AUD loan 2 to subsidiary in Australia		
Current	18,590	1,082
Non-current	–	19,490
	18,590	20,572

A loan granted to a subsidiary in Australia and is secured by way of a legal mortgage over Hotel Grand Chancellor Surfers Paradise and a registered charge over the subsidiary's assets and undertakings. The loan bears interest at 1.50% per annum above the bank bill rates. The effective interest rate ranges from 3.71% to 4.25% (2014: 4.14% to 4.25%) during the year. Interest is repriced every 90 days. The loan is repayable in semi-annual installments of A$500,000 each commencing 17 June 2014 with a final payment of the remaining outstanding amount on 11 December 2016.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

18. LOANS AND BORROWINGS (CONT'D)

(I) *Bank term loans (cont'd)*

Subsidiaries (cont'd)

	Loans outstanding as at 31 December	
	2015	**2014**
	$'000	$'000
(v) AUD loan 3 to subsidiary in Australia		
Current	16,526	2,166
Non-current	–	17,325
	16,526	19,491

A loan granted to a subsidiary in Australia and is secured by way of a legal mortgage over 300 Flinders Street, Melbourne and a registered charge over the subsidiary's assets and undertakings and a corporate guarantee by Grand Central (Australia) Pty Ltd. The loan bears interest at the Bank Borrowing Rate (BBR) plus a line fee of 1.50% per annum. The effective interest rate ranged from 2.07% to 2.69% (2014: 2.64% to 2.72%) during the year. The loan is repayable in installments of A$1,000,000 each on 17 January and 17 June each year commencing 17 January 2014 with a final payment of the remaining outstanding amount on 30 October 2016.

Company

(vi) SGD loan to Company		
Current	–	35,000
Non-current	36,000	–
	36,000	35,000

The SGD loan granted to the Company is secured by way of a legal mortgage over the freehold land of the Company and a hotel to be developed on the freehold land. The loan has an interest rate at 1.25% per annum above SGD swap cost and was refinanced on 30 November 2015. The Company had entered into an interest rate swap for notional principal of $20,000,000 with the same bank (Note 20). This agreement expired on 1 July 2015. The Company pays fixed interest rate of 1.795% per annum under this agreement and receives a floating interest rate of 1.25% above the swap rate per annum under this agreement. The effective interest rate ranged from 1.50% to 2.87% (2014: 1.37% to 1.50%).

Group

Total bank term loans		
Current	37,842	59,025
Non-current	102,027	50,779
	139,869	109,804

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

18. LOANS AND BORROWINGS (CONT'D)

(II) *Short term bank loans*

	Loans outstanding as at 31 December	
	2015	**2014**
	$'000	$'000
Subsidiaries		
(a) A Specific Advance Facility ("SAF") of up to $40,000,000 was granted to a subsidiary in Singapore and is secured by way of a legal mortgage over leasehold land of the subsidiary and a hotel to be developed on the leasehold land and a corporate guarantee by the Company for up to $45,000,000. The loan has an interest rate at 1.25% per annum above SGD swap cost. The effective interest rate ranged from 1.68% to 2.57% (2014: 1.37% to 1.89%) during the year. The loan is repayable on the interest payment date, due every one to three months. The loan was repaid on 2 November 2015.	–	25,300
(b) A Revolving Credit Facility ("RCF") of up to NZ$35,000,000 was granted to a subsidiary in New Zealand and is secured by way of a charge on cash deposits equivalent to 110% of NZ$35 million in Australian dollars or other major currencies. The loan has an interest rate at 0.9% per annum above the bank's cost of funds. The effective interest rate was 4.60% to 5.35% (2014: 5.22%) during the year. The loan is repayable on the interest payment date, due every one to three months.	33,897	4,143
Company		
A Money Market Line Facility ("MML") of up to $35,000,000 was granted to Company and is secured by way of a legal mortgage over the freehold land of the Company and a hotel to be developed on the freehold land. The loan has an interest rate at 1.25% per annum above SGD swap cost. The effective interest rate ranged from 1.68% to 2.68% (2014: 1.41% to 1.89%) during the year. The loan was repaid on 30 November 2015.	–	9,100
Group		
Total short term bank loans	33,897	38,543

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade and other payables:				
Trade payables	5,497	6,237	82	126
Other payables	14,314	13,206	334	3,886
Rental deposits received	1,293	1,342	14	6
Amounts due to associates	73	163	73	65
Amounts due to subsidiaries	–	–	2,674	2,595
Total trade and other payables	21,177	20,948	3,177	6,678
Add:				
Accrued operating expenses	13,954	5,467	8,512	1,864
Loans and borrowings (Note 18)	173,766	148,353	36,000	44,100
Total financial liabilities carried at amortised cost	208,897	174,768	47,689	52,642

Trade payables/other payables

Trade payables are non-interest bearing and are normally settled on 60-day terms. Trade payables are denominated in the functional currencies of the entities in the Group.

Other payables are non-interest bearing and have an average term of 90 days.

Amounts due to associates

These amounts are unsecured, interest-free and repayable on demand. These trade balances are to be settled in cash.

Amounts due to subsidiaries

These amounts are non-trade in nature, unsecured, interest-free, repayable on demand and are to be settled in cash. An amount of $1,249,000 (2014: $1,434,000) is denominated in Malaysian Ringgit.

20. DERIVATIVES

	2015			2014		
Group and Company	Contract/ notional amount $'000	Assets $'000	Liabilities $'000	Contract/ notional amount $'000	Assets $'000	Liabilities $'000
Interest rate swap, representing total derivatives	–	–	–	20,000	–	(4)
Total financial liabilities at fair value through profit or loss classified as held for trading	–	–	–	–	–	(4)

Derivatives comprise interest rate swaps which the Group and the Company use to hedge cash flow interest rate risk arising from SGD bank term loans. The Group and the Company do not apply hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

21. OBLIGATIONS UNDER FINANCE LEASES

The Group has finance leases for certain items of plant, equipment and electrical fittings, furniture, fixtures and office equipment and motor vehicles. These obligations are secured by a charge over the assets purchased under finance lease arrangements (Note 6). The finance leases bear effective interest rates at 8% to 12.22% (2014: 8% to 12.22%) per annum. The interest rates for the finance lease obligations are fixed upon entering into the lease agreements and are therefore not subjected to fluctuations in market interest rates. The finance leases do not carry any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other lease agreements. The obligations are denominated in the respective functional currencies of the relevant entities in the Group.

22. OTHER INCOME/(EXPENSES)

(a) ***Other income***

	Group	
	2015	**2014**
	$'000	$'000
Dividend income from investment securities	236	149
Fair value gain on derivatives	–	66
Net gain on disposal of property, plant and equipment	5,265	946
Gain on disposal of subsidiary company (Note 10(b))	70,638	–
Others	36	5
	76,175	1,166

(b) ***Other expenses***

	Group	
	2015	**2014**
	$'000	$'000
Impairment loss on property, plant and equipment (Note 6)	(1,154)	–
Impairment loss on investment in an associated company (Note 11)	(9,904)	–
Commission fee paid on sale of subsidiary (Note 10(b))	(1,736)	–
	(12,794)	–

23. STAFF COSTS

	Group	
	2015	**2014**
	$'000	$'000
Wages, salaries and bonuses	39,107	41,850
CPF and pension contributions	3,340	3,188
Other benefits	5,293	5,990
	47,740	51,028

Other benefits include long service leave, payroll tax, work cover, employee meals, fringe benefit tax and annual leave.

Staff costs include directors' and executive officers' remuneration (Note 30(b)).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

24. OPERATING COSTS AND EXPENSES

(a) *Hotel marketing and operating costs*

	Group 2015 $'000	Group 2014 $'000
Laundry expenses	4,142	4,550
Marketing expenses and commissions	5,809	6,954
Repair and maintenance expenses	6,784	7,665
Room daily supplies	2,285	2,438
Stock consumables (Note 15)	9,897	10,737
Utilities expenses	6,181	8,201
	35,098	40,545

(b) *Other operating expenses*

	Group 2015 $'000	Group 2014 $'000
Audit fees payable to:		
- Auditors of the Company	210	147
- Other auditors	327	405
Non-audit fees payable to:		
- Auditors of the Company	70	67
- Other auditors	35	24
Amortisation of land use rights (Note 8)	48	45
Body corporate fee	428	529
Directors' fees payable to Directors of the Company	295	266
Insurance expenses	1,234	2,641
Printing, postage and stationery	486	487
Professional fees	850	614
Property and land taxes	5,505	6,089
Rental expense	609	516
Telecommunication	307	370
Travelling	242	420
Administrative and general expenses	3,407	3,423
	14,053	16,043
Total operating costs and expenses	49,151	56,588

25. FINANCE COSTS

	Group 2015 $'000	Group 2014 $'000
Interest expense	3,042	3,143

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

26. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2015 and 2014 are:

	Group	
	2015	**2014**
	$'000	$'000
Consolidated income statement:		
Current income tax		
- Current income taxation	8,459	11,657
- (Over)/under provision in respect of previous years	(231)	49
	8,228	11,706
Deferred income tax		
- Origination of temporary differences	(512)	(3,867)
- Under provision in respect of previous years	1,369	884
- Adjustment in respect of deferred tax on assets held for sale	(6)	(1,140)
	851	(4,123)
Income tax expense recognised in profit or loss	9,079	7,583
Statement of comprehensive income:		
Deferred income tax related to other comprehensive income:		
Reversal of deferred tax liability on impairment of James Cook Wellington hotel building	–	121
Reversal of deferred tax liability on revaluation reserve for Auckland Airport hotel	–	755
Net surplus on revaluation of hotel land and building	58,238	–
	58,238	876

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

26. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting profit

The reconciliations between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2015 and 2014 are as follows:

	Group	
	2015	**2014**
	$'000	$'000
Profit before tax	94,532	34,413
Tax at the domestic rates applicable to profits in the countries where the Group operates	21,879	11,988
Adjustments:		
Non-deductible expenses	2,905	855
Income not subject to taxation	(16,697)	(6,842)
Effect of partial tax exemption	(208)	(83)
(Over)/under provision in respect of previous years		
– Current income tax	(231)	49
– Deferred tax	1,369	884
Benefits from previously unrecognised tax losses	–	(36)
Deferred tax assets not recognised	46	705
Others	16	63
Income tax expense recognised in profit or loss	9,079	7,583

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

At balance sheet date, certain subsidiaries in the Group have tax losses aggregating approximately $690,000 (2014: $528,500) that are available for offset against future taxable profits, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

27. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

As there were no share options and warrants granted, basic and diluted earnings per share are the same.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2015	**2014**
	$'000	$'000
Profit net of tax attributable to owners of the Company	85,453	26,830
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	640,169	609,564

28. DIVIDENDS

	Group and Company	
	2015	**2014**
	$'000	$'000
Declared and paid during the financial year		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for 2014: Ordinary: 5.0 cents (2013: 5.0 cents) per share	31,088	29,832
Final exempt (one-tier) dividend for 2014: Special: 5.0 cents (2013: Nil cents) per share	31,087	–

The final dividend was paid on 20 July 2015 (2014: 25 June 2014). Out of the $62,175,000 (2014: $29,832,000) declared, $52,233,000 (2014: $26,504,000) was settled by scrips (Note 4) and the balance $9,942,000 (2014: $3,328,000) was settled by cash.

Proposed but not recognised as a liability as at 31 December

	Group and Company	
	2015	**2014**
	$'000	$'000
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
Final exempt (one-tier) dividend for 2015 - Ordinary: 5.0 cents (2014: 5.0 cents) per share	33,152	31,088
Final exempt (one-tier) dividend for 2015 - Special: Nil cents (2014: 5.0 cents) per share	–	31,087

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

29. COMMITMENTS

(a) *Operating lease commitments – As lessor*

The Group has entered into commercial property leases and property leases on its investment properties (Note 7) and hotel portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between one year and thirteen years with renewal options for some contracts but no escalation clauses included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2015	**2014**
	$'000	$'000
Not later than one year	10,998	10,972
Later than one year but not later than five years	37,148	42,402
Later than five years	5,169	11,502
	53,315	64,876

(b) *Operating lease commitments – As lessee*

In addition to the land use rights disclosed in Note 8, the Group has entered into operating lease agreements for rental of office premises. These leases have an average life of between one and five years with no escalation clauses or contingent rentals and do not contain restrictions on the Group's activities concerning dividends, additional debts or further leasing. Most of the leases contain renewable options. Minimum lease payments, excluding amortisation of land use rights recognised as an expense in profit or loss for the year ended 31 December 2015 amounted to $529,000 (2014: $516,000).

Future minimum lease payments payable under non-cancellable operating leases (excluding land use rights) as at the end of the reporting period are as follows:

	Group	
	2015	**2014**
	$'000	$'000
Future minimum lease payments		
– not later than one year	66	109
– later than one year but not later than five years	100	153
	166	262

(c) *Capital commitments*

As at 31 December 2015, the Group had outstanding commitments in respect of construction of an investment property and the renovation of a hotel building in New Zealand amounting to approximately $31,190,000 (2014: $109,100,000).

(d) *Continuing financial support*

As at 31 December 2015 and 2014, the Company has given an undertaking to two of its subsidiaries to provide financial support, where necessary, to enable them to operate as going concerns and to meet their obligations for at least twelve months from the date of the respective directors' report.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

30. RELATED PARTY TRANSACTIONS

(a) *Sales and purchases of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	2015	**2014**
	$'000	$'000
Commission on online reservation services paid and payable	–	(1)
Management fee charged to related party	34	38
Staff secondment to associates	–	(25)

(b) *Compensation of key management personnel*

	Group	
	2015	**2014**
	$'000	$'000
Directors of the Company		
Short-term employee benefits	681	686
Contribution to CPF and other defined contribution pension schemes	20	20
Directors' fees	295	266
	996	972
Other key management personnel		
Short-term employee benefits	2,114	2,173
Contribution to CPF and other defined contribution pension schemes	200	185
	2,314	2,358

31. FAIR VALUES OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(A) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

(B) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(C) Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

31. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(b) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

		Group			
		Fair value measurements at the end of the period using			
2015		**Quoted prices in active markets for identical instruments** (Level 1) $'000	**Significant observable inputs other than quoted prices** (Level 2) $'000	**Significant unobservable inputs** (Level 3) $'000	**Total** $'000
Recurring fair value measurements					
Assets:					
Financial assets:					
Available-for-sale financial assets					
– Investment securities	(i)	6,143	–	–	6,143
Non-financial assets:					
Investment properties	(iii)	–	–	157,748	157,748
Hotel assets*					
– Freehold land	(iv)	–	–	335,436	335,436
– Leasehold land	(iv)	–	–	371,866	371,866
– Hotel buildings and improvements	(iv)	–	–	342,187	342,187
		6,143	–	1,207,237	1,213,380
Liabilities:					
Financial liabilities:					
Derivatives					
- Interest rate swaps	(ii)	–	–	–	–

* These reflect the cost or valuation amounts as at the financial year ended (Note 6).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

31. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(b) *Assets and liabilities measured at fair value (cont'd)*

		Group			
		Fair value measurements at the end of the period using			
		Quoted prices in active markets for identical instruments	**Significant observable inputs other than quoted prices**	**Significant unobservable inputs**	**Total**
		(Level 1)	(Level 2)	(Level 3)	
2014		$'000	$'000	$'000	$'000
Recurring fair value measurements					
Assets:					
Financial assets:					
Available-for-sale financial assets					
– Investment securities	(i)	4,599	–	–	4,599
Non-financial assets:					
Investment properties	(iii)	–	–	119,790	119,790
Hotel assets*					
– Freehold land	(iv)	–	–	206,048	206,048
– Leasehold land	(iv)	–	–	166,866	166,866
– Hotel buildings and improvements	(iv)	–	–	193,487	193,487
		4,599	–	686,191	690,790
Liabilities:					
Financial liabilities:					
Derivatives					
– Interest rate swaps	(ii)	–	4	–	4

* These reflect the cost or valuation amounts as at the financial year ended (Note 6).

(i) Quoted investment securities (Note 13): Fair value is determined by direct reference to their share price quotations in an active market at the end of the reporting period.

(ii) Derivatives (Note 20): Interest rate swap contracts are valued using a valuation based on market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including interest rate curves.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

31. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(b) ***Assets and liabilities measured at fair value (cont'd)***

(iii) The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2015	Valuation techniques	Significant Unobservable inputs
	$'000		
Recurring fair value measurements			
Non-financial assets:			
– Investment properties	157,748	Income method	Discount rate – 7.00% to 9.50%

Description	Fair value at 31 December 2014	Valuation techniques	Significant Unobservable inputs
	$'000		
Recurring fair value measurements			
Non-financial assets:			
– Investment properties	119,790	Income method	Discount rate – 7.75% to 10.00%

Valuation policies and procedures

The Group engages external independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year.

Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge of valuation of commercial investment properties. For valuation performed by external valuers, management reviews the appropriateness of the valuation methodologies and assumptions adopted.

Significant changes in fair value measurements from period to period are evaluated by management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent external sources. Significant valuation issues are reported to the Audit Committee.

For investment properties, a significant increase/(decrease) in discount rates based on valuer's assumptions would result in a significantly (lower)/higher fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

31. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(b) ***Assets and liabilities measured at fair value (cont'd)***

(iv) Hotel assets

The Group's hotel assets are periodically revalued every three years (Note 2.6). The most recent valuation of the hotel assets was done in financial year 2015, with the previous valuation performed in financial year 2012.

The following table shows the information about the 2015 revaluation measurements performed by professional accredited valuers, using significant unobservable inputs (Level 3):

Description	Revalued cost 2015 $'000	Revalued cost 2014 $'000	Valuation techniques	Significant Unobservable inputs
Recurring fair value measurements				
Non-financial assets:				
– Freehold land	335,436	206,048	Income method	Discount rate – 7.50% to 11.0% (2014: 6.75% to 10.25%)
– Leasehold land	371,866	166,866	Income method (2014: Direct comparison method)	Discount rate – 7.50% (2014: Gross development value $240 million)
– Hotel buildings and improvements	342,187	193,487	Income method	Discount rate – 7.50% to 11.0% (2014: 6.75% to 10.25%)

Valuation policies and procedures

The valuation policies and procedures of the Group's hotel assets are similar to those of the Group's investment properties (Note 31(b)(iii)).

For hotel assets valued under the income method, a significant increase/(decrease) in discount rates based on valuer's assumptions would have resulted in a significantly (lower)/higher fair value measurement.

For hotel assets valued under the direct comparison method, the estimated fair value would increase with higher gross development value.

(c) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

Current trade and other receivables and payables (Notes 14 and 19), accrued operating expenses, and loans and borrowings at floating rate (Note 18)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Other long-term receivables (non-current) (Note 14) and obligations under finance leases (non-current) (Note 21)

The carrying value of the interest-bearing long-term receivable and obligations under finance leases approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and use of financial instruments. The key financial risks include interest rate risk, liquidity risk, foreign exchange risk, credit risk and market price risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Management.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2014: less than 6 months) from the end of the reporting period.

Information relating to the Group's interest rate exposure is disclosed in Note 16 (Cash and short term deposits) and Note 18 (Loans and borrowings). At the end of the reporting period, after taking into account the effects of interest rate swaps, approximately Nil (2014: 13%) of the Group's loans and borrowings are hedged at fixed rates of interest.

The Group has cash and cash equivalents placed with reputable financial institutions, which generate interest income for the Group. The Group manages its interest rate risk by placing such balances on varying maturities and interest rate terms.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2014: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $1,161,000 higher/lower (2014: $1,021,000 higher/lower), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and lower/higher positive fair value of interest rate swaps. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with at least two different banks. At the end of the reporting period, the Group's and the Company's loans and borrowings (Note 18) that will mature in less than one year based on the carrying amount reflected in the financial statements amounted to approximately 41% (2014: 68%) and Nil (2014: 100%) of total loans and borrowings, respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	One year or less	One to five years	Total
Group	$'000	$'000	$'000
2015			
Financial assets			
Trade and other receivables	9,233	–	9,233
Pledged short-term deposits	37,335	–	37,335
Cash and cash equivalents	298,645	–	298,645
Total undiscounted financial assets	345,213	–	345,213
Financial liabilities			
Trade and other payables	21,177	–	21,177
Accrued operating expenses	13,954	–	13,954
Loans and borrowings	76,069	106,478	182,547
Total undiscounted financial liabilities	111,200	106,478	217,678
Total net undiscounted financial assets/(liabilities)	234,013	(106,478)	127,535

	One year or less	One to five years	Total
Group	$'000	$'000	$'000
2014			
Financial assets			
Trade and other receivables	9,357	–	9,357
Pledged short-term deposits	38,146	–	38,146
Cash and cash equivalents	123,757	–	123,757
Total undiscounted financial assets	171,260	–	171,260
Financial liabilities			
Trade and other payables	20,948	–	20,948
Accrued operating expenses	5,467	–	5,467
Loans and borrowings	100,830	52,875	153,705
Derivatives	4	–	4
Total undiscounted financial liabilities	127,249	52,875	180,124
Total net undiscounted financial assets/(liabilities)	44,011	(52,875)	(8,864)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

	One year or less	One to five years	Total
	$'000	$'000	$'000
Company			
2015			
Financial assets			
Trade and other receivables	2,016	–	2,016
Pledged short-term deposits	37,335	–	37,335
Cash and cash equivalents	206,171	–	206,171
Total undiscounted financial assets	245,522	–	245,522
Financial liabilities			
Trade and other payables	3,177	–	3,177
Accrued operating expenses	8,512	–	8,512
Loans and borrowings	1,033	37,976	39,009
Total undiscounted financial liabilities	12,722	37,976	50,698
Total net undiscounted financial assets/(liabilities)	232,800	(37,976)	194,824

	One year or less	One to five years	Total
	$'000	$'000	$'000
Company			
2014			
Financial assets			
Trade and other receivables	2,430	–	2,430
Pledged short-term deposits	38,146	–	38,146
Cash and cash equivalents	46,845	–	46,845
Total undiscounted financial assets	87,421	–	87,421
Financial liabilities			
Trade and other payables	6,678	–	6,678
Accrued operating expenses	1,864	–	1,864
Loans and borrowings	44,497	–	44,497
Derivatives	4	–	4
Total undiscounted financial liabilities	53,043	–	53,043
Total net undiscounted financial liabilities	(34,378)	–	(3,768)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk

The Group and the Company hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (mainly in Australian Dollar (AUD), New Zealand Dollar (NZD), Malaysian Ringgit (MYR) and Renminbi (RMB)) amounted to $165,591,000 (2014: $153,924,000) for the Group. The Group does not enter into any derivatives to hedge foreign exchange exposures.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Australia, New Zealand, Malaysia and People's Republic of China. The Group's net investments are not hedged as currency positions in AUD, NZD, MYR and RMB are considered to be long-term in nature.

The Group has minimal transactional currency exposures arising from sales or purchases that denominated in a currency other than the respective functional currencies of the Group entities, primarily Singapore Dollar (SGD), AUD, NZD, MYR and RMB.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the AUD, NZD, MYR and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Profit net of tax	
		2015	**2014**
		$'000	$'000
AUD/SGD	– strengthened 5% (2014: 3%)	2,179	1,348
	– weakened 5% (2014: 3%)	(2,179)	(1,348)
NZD/SGD	– strengthened 5% (2014: 3%)	1,469	912
	– weakened 5% (2014: 3%)	(1,469)	(912)
MYR/SGD	– strengthened 5% (2014: 3%)	130	59
	– weakened 5% (2014: 3%)	(130)	(59)
RMB/SGD	– strengthened 5% (2014: 3%)	227	2
	– weakened 5% (2014: 3%)	(227)	(2)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arising primarily from trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit ratings counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Cash terms and advance payments are required for customers of lower credit standing. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2015		2014	
	$'000	%	$'000	%
By country:				
Singapore	2,145	28	2,098	27
Australia	4,077	53	4,299	54
New Zealand	1,468	19	1,429	18
Malaysia	43	–	43	1
China	14	–	35	–
	7,747	100	7,904	100

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, quoted investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 (Investment securities) and Note 14 (Trade and other receivables).

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the SGX-ST in Singapore and are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk by investing in shares with steady dividend yield. At the end of the reporting period, 71% (2014: 71%) of the Group's equity portfolio comprise shares included in the Straits Times Index (STI).

Sensitivity analysis for equity price risk

At the end of the reporting period, if the equity share price had been 5% (2014: 5%) higher/lower with all other variables held constant, the Group's fair value adjustment in equity would have been $309,000 (2014: $229,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio to below 50%. The Group includes within net debt, loans and borrowings, trade and other payables, accrued operating expenses less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less fair value adjustment reserve and asset revaluation reserve.

	Group	
	2015	**2014**
	$'000	$'000
Loans and borrowings (Note 18)	173,766	148,353
Trade and other payables (Note 19)	21,177	20,948
Accrued operating expenses	13,954	5,467
Less: Cash and short-term deposits (Note 16)	(298,645)	(123,757)
Net (cash)/debt position	(89,748)	51,011
Equity attributable to the owners of the parent	1,276,592	866,254
Less: Fair value adjustment reserve	(326)	(1,012)
Asset revaluation reserve	(634,735)	(277,382)
Total capital	641,531	587,860
Capital and net (cash)/debt	(551,783)	638,871
Gearing ratio	Nil	8%

34. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical locations, and has five reportable operating segments as follows:

- Singapore
- Malaysia
- Australia
- New Zealand
- China

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that are allocated on a reasonable basis. Unallocated items comprise mainly income tax and foreign exchange gain or loss, and deferred tax assets and liabilities. Inter-segment assets and liabilities are eliminated.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

34. SEGMENT INFORMATION (CONT'D)

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with external parties.

Segment capital expenditure is the total costs incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

	Singapore	Malaysia	Australia	New Zealand	China	Eliminations	Group
2015	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Turnover	11,005	349	98,990	23,744	1,709	–	135,797
Segment results	57,000	(306)	26,802	11,460	(227)	–	94,729
Finance costs	(1,167)	–	(1,521)	(354)	–	–	(3,042)
Interest income from fixed deposits	3,678	653	825	1,035	42	–	6,233
Share of results of associates	–	839	–	–	–	–	839
Income tax expense							(9,079)
Unallocated foreign exchange loss							(4,227)
Profit for the year attributable to owners of the Company							85,453
Segment assets	685,557	6,459	399,334	171,279	19,386	(4,384)	1,277,631
Interest-earning cash and short-term deposits	250,929	16,027	36,714	29,974	2,336	–	335,980
Investment in associates	–	12,079	–	–	–	–	12,079
Unallocated assets							4,144
Total assets							1,629,834
Segment liabilities	(22,258)	(121)	(10,018)	(6,444)	(745)	4,082	(35,504)
Loans and borrowings	(98,700)	–	(35,115)	(39,951)	–	–	(173,766)
Unallocated liability							(143,972)
Total liabilities							(353,242)
Capital expenditure	37,377	17	12,286	41,201	1	–	90,882
Depreciation and amortisation	3,353	131	8,721	2,326	749	–	15,280

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

34. SEGMENT INFORMATION (CONT'D)

2014	Singapore $'000	Malaysia $'000	Australia $'000	New Zealand $'000	China $'000	Eliminations $'000	Group $'000
Turnover	13,141	550	104,766	32,406	2,125	–	152,988
Segment results	2,852	130	25,389	6,794	12	–	35,177
Finance costs	(806)	–	(1,834)	(504)	–	–	(3,144)
Interest income from fixed deposits	2,334	564	796	449	132	–	4,275
Share of results of associates	–	252	–	–	–	–	252
Income tax expense							(7,583)
Unallocated foreign exchange loss							(2,148)
Profit for the year attributable to owners of the Company							26,830
Segment assets	492,969	6,449	354,632	140,186	19,607	(3,491)	1,010,351
Interest-earning cash and short-term deposits	87,278	18,150	37,801	13,514	5,977	–	162,720
Investment in associates	–	26,078	–	–	–	–	26,078
Unallocated assets							4,230
Total assets							1,203,379
Segment liabilities	(13,638)	(196)	(11,581)	(4,617)	(608)	3,491	(27,149)
Loans and borrowings	(143,400)	––	(46,771)	(12,171)	–	–	(202,348)
Unallocated liability							(107,628)
Total liabilities							(337,125)
Capital expenditure	50,443	61	13,050	9,834	5	–	73,393
Depreciation and amortisation	2,077	143	9,965	2,859	788	–	15,833

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

34. SEGMENT INFORMATION (CONT'D)

Information about products and services

The following table presents information regarding the Group's products and services as at and for the years ended 31 December 2015 and 2014.

	Hotel operations		Commercial property investments		Total	
	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:						
Sales to external customers	126,184	142,524	9,613	10,464	135,797	152,988
Assets:						
Segment assets	1,119,883	890,562	157,748	119,790	1,277,631	1,010,352
Interest earning cash and short-term deposits	335,980	162,719	–	–	335,980	162,719
Investments in associates	12,079	26,078	–	–	12,079	26,078
Unallocated assets	4,144	4,230	–	–	4,144	4,230
Total assets	1,472,086	1,083,589	157,748	119,790	1,629,834	1,203,379
Capital expenditure	53,964	64,847	36,918	8,546	90,882	73,393

35. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 8 April 2016.

OWNED HOTELS/INVESTMENT PROPERTIES
as at 31 December 2015

HOTELS OWNED BY THE GROUP

The hotels of the Group consist of the following:

Fixed Assets/Location	Description	Number Of Guest Rooms	Approximate Land Area (sq m)	Tenure
Hotel Grand Central, Singapore	Land with 10 level hotel building	264	1,239	Freehold
Hotel Chancellor @ Orchard, Singapore	Land with 10 level hotel building	488	2,805	Leasehold 99 years from 2 May 1978
Hotel Grand Crystal Kedah, Malaysia	Land with 6 level hotel building	130	4,192	Freehold
Hotel Grand Chancellor on Currie, Adelaide, Australia	Land with 8 level hotel building	64	542	Freehold
Hotel Grand Chancellor on Hindley, Adelaide, Australia	Land with 14 level hotel building	208	2,644	Freehold
Hotel Grand Chancellor Brisbane, Australia	Land with 12 level hotel building	230	3,799	Freehold
Hotel Grand Chancellor Hobart, Australia	Land with 13 level hotel building and a concert hall with a seating capacity for 1,086 people	244	11,020	Freehold
Hotel Grand Chancellor Launceston, Australia	Land with 7 level hotel building	165	9,036	Freehold
Hotel Grand Chancellor Melbourne, Australia	Land with 17 level hotel building	160	1,582	Freehold
Hotel Grand Chancellor Palm Cove, Australia	Land with low rise hotel buildings	140	36,461	Freehold
Hotel Grand Chancellor Surfers Paradise, Australia	Land with 37 level hotel building	408	–	Freehold
Hotel Grand Chancellor Auckland City, New Zealand	65 hotel units	65	–	Freehold
James Cook Hotel Grand Chancellor Wellington, New Zealand	Hotel Building comprising of two towers of 6 levels and 11 levels respectively	268	–	Freehold
Hotel Grand Central, Sihui, China	Land with 16 level hotel building	216	2,548	Leasehold 35 years from 22 Sep 2008
Total		3,050	75,868	

INVESTMENT PROPERTIES OWNED BY THE GROUP

The investment properties of the Group consist of the following:

Investment Properties/Location	Description	Approximate Land Area (sq m)	Net Lettable Area (sq m)	Tenure
300 Flinders Street, Melbourne, Australia	A 21 level office building	–	14,094	Freehold
James Cook Arcade and Office Tower Wellington, New Zealand	A 7 level retail and office building with 426 car park spaces	3,526	2,253	Freehold
Lumley House, Wellington, New Zealand	A 13 level retail and office building with 23 car park spaces	1,320	8,350	Freehold & Perpetual Leasehold
141-161, Cashel Street Christchurch, New Zealand	Land	5,510	–	Freehold
Total		10,356	24,697	

DISTRIBUTION OF SHAREHOLDINGS

Share capital

Paid up capital : $421,996,632
Class of Shares : Ordinary Shares
Voting Rights : One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	126	3.89	5,331	0.00
100 - 1,000	389	12.00	186,784	0.03
1,001 - 10,000	1,246	38.44	6,275,085	0.95
10,001 - 1,000,000	1,449	44.71	82,491,271	12.44
1,000,001 AND ABOVE	31	0.96	574,074,658	86.58
TOTAL	**3,241**	**100.00**	**663,033,129**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAN CHEE HOE & SONS HOLDINGS PTE LTD	349,986,093	52.79
2	TAN ENG TEONG PTE LTD	57,585,940	8.69
3	CHNG GIM HUAT	29,572,250	4.46
4	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	21,916,954	3.31
5	TAN TECK LIN HOLDINGS SDN BHD	20,576,113	3.10
6	ADITAN HOLDINGS SDN BHD	18,054,362	2.72
7	TAN ENG SIN	12,728,588	1.92
8	CHNG GIM HUAT HOLDINGS PTE LTD	8,711,609	1.31
9	CIMB SECURITIES (SINGAPORE) PTE. LTD.	7,297,312	1.10
10	GRAND CITY DEVELOPMENT PTE LTD	6,031,293	0.91
11	CITIBANK NOMINEES SINGAPORE PTE LTD	4,965,932	0.75
12	DBS NOMINEES (PRIVATE) LIMITED	3,601,179	0.54
13	TAN HWA KHEONG	2,626,102	0.40
14	LIM TAI HOCK	2,600,120	0.39
15	MORPH INVESTMENTS LTD	2,454,590	0.37
16	TAN KAY TOH OR YU HEA RYEONG	2,448,996	0.37
17	TAN YONG KENG @TAN GOO KIA OR TAN KOK SING	2,213,172	0.33
18	PHILLIP SECURITIES PTE LTD	2,194,561	0.33
19	NG POH CHENG	2,139,655	0.32
20	TAN HWA IMM	2,080,091	0.31
	TOTAL	**559,784,912**	**84.42**

SHAREHOLDING STATISTICS

as at 11 March 2016

The Shareholding of the Substantial Shareholders as recorded in the Register of Substantial Shareholder as at 11 March 2016 are as follows: -

Substantial Shareholder	Direct Interest		Deemed Interest	
	No of shares	%	No of shares	%
Tan Chee Hoe & Sons Holdings Pte. Ltd.	349,986,093	52.79	Nil	Nil
Tan Eng Teong Holdings Sdn Bhd(1)	Nil	Nil	349,986,093	52.79
Tan Teck Lin Holdings Sdn Bhd(2)	20,576,113	3.10	349,986,093	52.79
Tan Teck Lin(3)	Nil	Nil	388,848,040	58.65
Tan Eng Teong(4)	37,960	0.01	408,830,373	61.66
Tan Eng How(5)	936,441	0.141	368,040,455	55.51
Tan Chee Hoe & Sons Sdn Bhd(6)	Nil	Nil	349,986,093	52.79
Tan Eng Teong Pte. Ltd.	57,585,940	8.69	Nil	Nil
Aditan Holdings Sdn Bhd(7)	18,054,362	2.72	349,986,093	52.79

Notes

(1) Tan Eng Teong Holdings Sdn Bhd's deemed interest arose through 349,986,093 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd.
(2) Tan Teck Lin Holdings Sdn Bhd's deemed interest arose through 349,986,093 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd.
(3) Mr. Tan Teck Lin's deemed interest arose through 349,986,093 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd., 20,576,113 shares held by Tan Teck Lin Holdings Sdn Bhd, 18,054,362 shares held by Aditan Holdings Sdn Bhd and 231,472 shares held by his spouse.
(4) Mr. Tan Eng Teong's deemed interest arose through 57,585,940 shares held by Tan Eng Teong Pte. Ltd., 349,986,093 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd. and 1,258,340 shares held by his spouse.
(5) Mr. Tan Eng How's deemed interest arose through 349,986,093 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd. and 18,054,362 shares held by Aditan Holdings Sdn Bhd.
(6) Tan Chee Hoe & Sons Sdn Bhd's deemed interest arose through 349,986,093 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd.
(7) Aditan Holdings Sdn. Bhd's deemed interest arose through 349,986,093 shares held by Tan Chee Hoe & Sons Holdings Pte. Ltd.

Shareholdings in hands of public

The percentage of shareholdings in the hand of public was approximately 20.84% as at 11 March 2016 and hence the Company has complied with Rule 723 of the SGX-ST Listing Manual.

Material Contracts

Since the end of the previous financial year, the Group and Company did not enter into any material contracts involving interests of the Chairman, directors or controlling shareholders and no such material contract subsist at the end of the financial year.

Interested Person Transactions

During the financial year ended 31 December 2015, the Company did not enter into any interested person transaction which value exceeds $100,000 for each transaction.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 48th Annual General Meeting of HOTEL GRAND CENTRAL LIMITED (the "Company") will be held at 22 Cavenagh Road, Singapore 229617, Hotel Grand Central, Level 2 Function Room on Friday, 29 April 2016 at 11.30 a.m. for the following purposes:

As Ordinary Business:

1. To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2015. **[Resolution No. 1]**

2. To approve a first and final One-Tier tax exempt ordinary dividend of 5.0 cents per ordinary share for the year ended 31 December 2015. **[Resolution No. 2]**

3. To approve Directors' Fee of $294,700 for the year ended 31 December 2015. (2014: S$265,700). **[Resolution No. 3]**

4. To re-elect Mr. Tan Kok Aun, the Director retiring by rotation pursuant to Article 101 of the Company's Articles of Association. **[Resolution No. 4]**

5. To re-appoint Mr. Tan Eng Teong who retires as a Director of the Company at the forthcoming annual general meeting. **[Resolution No. 5]**

6. To re-appoint Mr. Fang Swee Peng who retires as a Director of the Company at the forthcoming annual general meeting. **[Resolution No. 6]**

7. To re-appoint Mr. Tan Teck Lin who retires as a Director of the Company at the forthcoming annual general meeting. **[Resolution No. 7]**

8. To re-appoint Auditors and to authorise the Directors to fix their remuneration. **[Resolution No. 8]**

As Special Business:

9. To approve the issue of shares pursuant to Section 161 of the Companies Act, Chapter 50.

   "THAT pursuant to Section 161 of the Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited (SGX-ST), authority be and is hereby given to the Directors of the Company to (a) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); (b) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares; (c) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and (d) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) to issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, provided that:-

   (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total issued shares in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total issued shares in the capital of the Company;

   (ii) for the purpose of determining the aggregate number of shares that may be issued (subject to such manner of calculation as may be prescribed by SGX-ST) under (i) above, the percentage of issued share capital shall be based on the issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards that are outstanding or subsisting when this Resolution is passed; and (2) any subsequent consolidation or sub-division of shares;

NOTICE OF ANNUAL GENERAL MEETING

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance is waived by the SGX-ST) and the Company's Articles of Association; and

(iv) unless revoked or varied by the Company in General Meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **[Resolution No. 9]**

10. That: -

a. for the purposes of Section 76E of the Companies Act, Chapter 50 (the "Companies Act"), the exercise by the Directors of all the powers to purchase or otherwise acquire issued ordinary shares in the capital of Company ("Ordinary Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), by way of Market Purchase(s) on the Singapore Exchange Securities Trading Limited ("SGX-ST") and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Repurchase Mandate");

b. unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Repurchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of: -
   (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or
   (ii) the date on which the authority conferred by the Share Repurchase Mandate is revoked or varied; or
   (iii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the proposed Share Repurchase Mandate are carried out to the full extent mandated;

c. in this Resolution:-

   "Market Purchase" means market acquisitions of Ordinary Shares through the SGX-ST's Central Limit Order Book trading system undertaken by the Company in accordance with the Companies Act;

   "Maximum Percentage" means that number of issued Ordinary Shares representing 5 per cent. of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; and

   "Maximum Price" in relation to an Ordinary Share to be purchased or acquired, means the maximum purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses), which shall not exceed 105 per cent. of the average closing price of the Ordinary Shares over the period of five (5) trading days in which transactions in the Ordinary Shares on the SGX-ST were recorded before the day on which such purchase is made and deemed to be adjusted for any corporate action that occurs after the relevant 5-days period.

d. The Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution. **[Resolution No. 10]**

BY ORDER OF THE BOARD

Lim Bee Lian Eliza
Company Secretary
Singapore, 14 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. The instrument appointing a proxy must be deposited at the office of the Company's Registered Office, 22 Cavenagh Road Singapore 229617 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:
    - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
    - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
    - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Explanatory Notes on Ordinary Resolutions:

1. Mr. Tan Kok Aun is the lead Independent Non-Executive Director. If he is re-elected, he will remain as the Chairman of the Audit Committee and member of the Remuneration and Nominating Committees.

2. Mr. Tan Eng Teong is the Executive Chairman/Managing Director of the Company.

3. Mr. Fang Swee Peng is an Independent Non-Executive Director. If he is re-appointed, he will remain as Chairman of the Remuneration Committee and member of the Audit and Nominating Committees.

4. Mr. Tan Teck Lin is an Executive Director.

5. The Audit Committee has recommended that Ernst & Young LLP be re-appointed as Auditors.

Explanatory Notes on Special Business to be transacted: -

6. Resolution No. 9 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding 50% of the issued shares in the capital of the Company of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders, does not exceed 20% of the Company's issued shares. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution No. 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution No. 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

7. The ordinary Resolution No. 10, if passed at the Annual General Meeting, will renew the Shares Repurchase Mandate approved by the Shareholders of the Company from the date of the Annual General Meeting until the date that the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier. The Company did not buy back any shares subsequent to the last Annual General Meeting on 30 April 2015.

NOTICE OF ANNUAL GENERAL MEETING

The amount of financing required for the Company to purchase or acquire its ordinary shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this notice as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares were purchased or acquired.

Based on the existing issued and paid-up ordinary share capital of the Company as at 11 March 2016 (the "Latest Practicable Date"), the purchase by the Company of 5 per cent. of its issued ordinary shares will result in the purchase or acquisition of 33,151,656 ordinary shares.

Assuming that the Company purchases or acquires the 33,151,656 ordinary shares at the maximum price, by way of Market Purchases, of $1.2705 for one ordinary share (being the price equivalent to five per cent above the average closing price of the ordinary shares traded on the SGX-ST for the five consecutive market days immediately preceding the Latest Practicable Date), the maximum amount of funds required is $42,119,179 approximately. The Company will use its internal sources of funds (comprising cash and fixed deposits) for the Share Purchases. The Company has not obtained or incurred nor does it intend to obtain or incur any borrowings to finance the Share Purchases.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that were the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

FORTY EIGHTH ANNUAL GENERAL MEETING PROXY FORM

Hotel Grand Central Limited

(Incorporated in the Republic of Singapore)

FORTY EIGHTH ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy. In which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

(You are advised to read the notes below before completing this form)

I/We ______________________________ (Name)

of______________________________ (Address) being a member/members of Hotel Grand Central Limited ("the Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as my/our* proxy/proxies* to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 22 Cavenagh Road Singapore 229617 on 29 April 2016, Friday at 11.30 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her* discretion.

The Chairman intends to cast undirected proxy votes in favour of each of the proposed resolutions. Where the Chairman is appointed as *my/our proxy/proxies, *I/we acknowledge that the Chairman may exercise **my/our proxy/proxies even if he has an interest in the outcome of the resolution.

I/We have indicated with an "X" in the appropriate box against such item how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, my/our proxy/proxies may vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

	Resolutions relating to:	For	Against
1.	Adoption of Directors' Reports and Audited Accounts.		
2.	Approval of first and final one-tier tax exempt ordinary dividend.		
3.	Approval of Directors' fees.		
4.	Re-election of Mr. Tan Kok Aun as a Director.		
5.	Re-appointment of Mr. Tan Eng Teong as a Director.		
6.	Re-appointment of Mr. Fang Swee Peng as a Director.		
7.	Re-appointment of Mr. Tan Teck Lin as a Director.		
8.	Re-appointment of Auditors.		
9.	Authority to Issue Shares pursuant to Section 161 of the Companies Act, Cap. 50.		
10.	Renewal of Share Repurchase Mandate.		

Signed this ______________ day of April 2016

Total Number of Shares Held in:	
CDP Register	
Register of Members	

____
Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

Important: *Please read notes overleaf*

Postage stamp

TO: THE SECRETARY

HOTEL GRAND CENTRAL LIMITED

22 CAVENAGH ROAD

SINGAPORE 229617

Fold along dotted line

NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Registered Office not less than forty-eight (48) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an attorney or duly authorised officer. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

Fold along dotted line

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/ or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

A Relevant Intermediary is:

1. a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
2. a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
3. the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

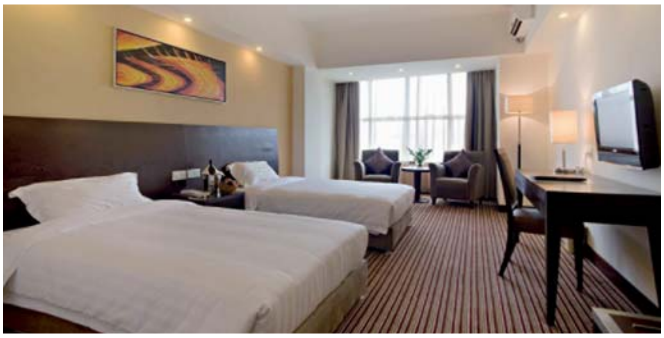
PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2016.

HOTEL GRAND CENTRAL, SINGAPORE

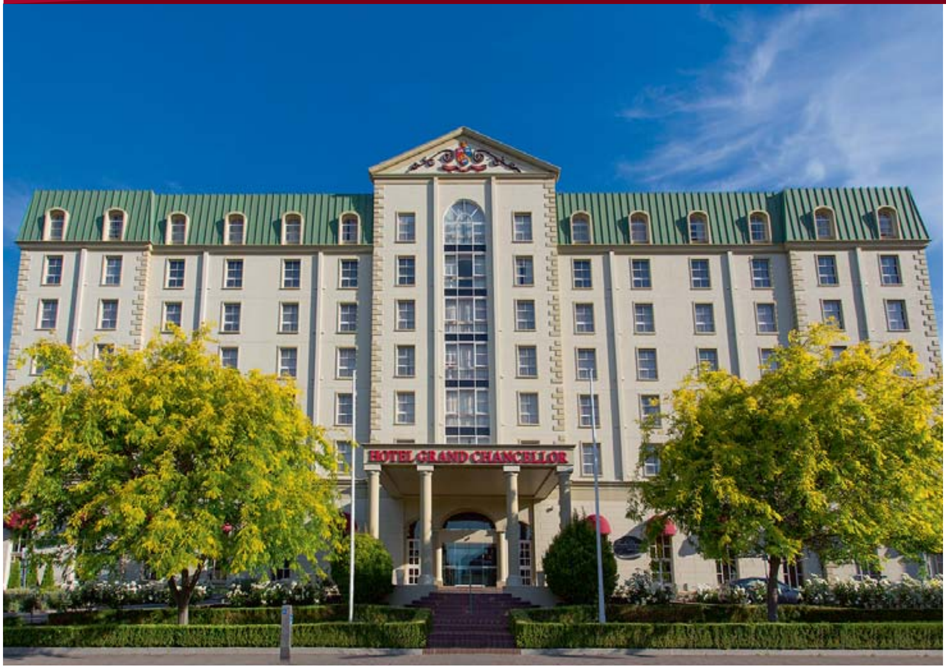
HOTEL CHANCELLOR @ ORCHARD

HOTEL GRAND CENTRAL, SIHUI (WHOLLY OWNED SUBSIDIARY HOTEL IN CHINA)



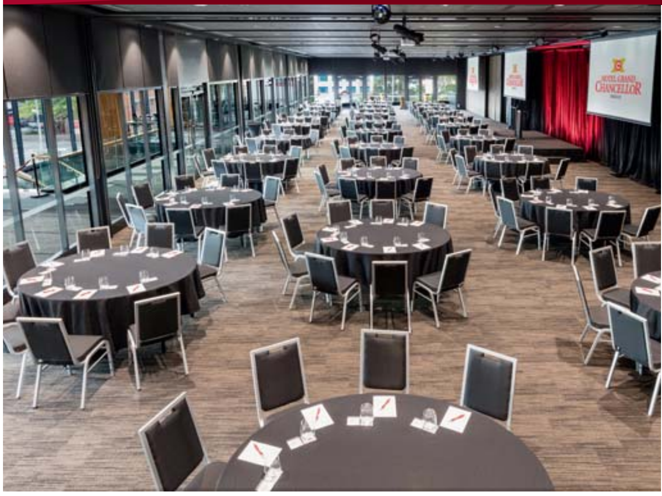
HOTEL GRAND CHANCELLOR, HOBART (WHOLLY OWNED SUBSIDIARY HOTEL IN AUSTRALIA)

HOTEL GRAND CHANCELLOR, LAUNCESTON (WHOLLY OWNED SUBSIDIARY HOTEL IN AUSTRALIA)



HOTEL GRAND CHANCELLOR, MELBOURNE (WHOLLY OWNED SUBSIDIARY HOTEL IN AUSTRALIA)

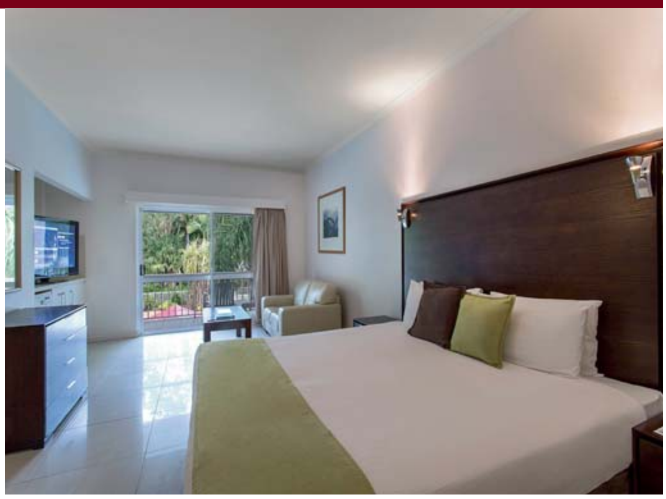
HOTEL GRAND CHANCELLOR, BRISBANE (WHOLLY OWNED SUBSIDIARY HOTEL IN AUSTRALIA)



HOTEL GRAND CHANCELLOR, HINDLEY (WHOLLY OWNED SUBSIDIARY HOTEL IN AUSTRALIA)

HOTEL GRAND CHANCELLOR, CURRIE (WHOLLY OWNED SUBSIDIARY HOTEL IN AUSTRALIA)

HOTEL GRAND CHANCELLOR, PALM COVE (WHOLLY OWNED SUBSIDIARY HOTEL IN AUSTRALIA)



HOTEL GRAND CHANCELLOR, SURFERS PARADISE (WHOLLY OWNED SUBSIDIARY HOTEL IN AUSTRALIA)

300 FLINDERS STREET, MELBOURNE (WHOLLY OWNED INVESTMENT PROPERTY IN AUSTRALIA)

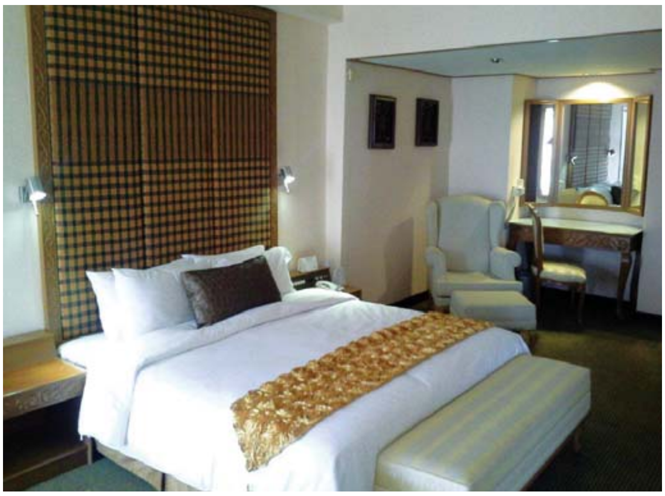
HOTEL GRAND CHANCELLOR, AUCKLAND CITY (WHOLLY OWNED SUBSIDIARY HOTEL IN NEW ZEALAND)

JAMES COOK HOTEL GRAND CHANCELLOR (WHOLLY OWNED SUBSIDIARY HOTEL IN NEW ZEALAND)

LUMLEY HOUSE, WELLINGTON (WHOLLY OWNED INVESTMENT PROPERTY IN NEW ZEALAND)

HOTEL GRAND CRYSTAL, ALOR STAR (WHOLLY OWNED SUBSIDIARY HOTEL IN MALAYSIA)

HOTEL GRAND CONTINENTAL, KUALA TERENGGANU (ASSOCIATED HOTEL IN MALAYSIA)



HOTEL GRAND CONTINENTAL, KUALA LUMPUR (ASSOCIATED HOTEL IN MALAYSIA)

HOTEL GRAND CONTINENTAL, KUCHING (ASSOCIATED HOTEL IN MALAYSIA)

HOTEL GRAND CONTINENTAL, KUANTAN (ASSOCIATED HOTEL IN MALAYSIA)

HOTEL GRAND CONTINENTAL, LANGKAWI (ASSOCIATED HOTEL IN MALAYSIA)

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